

Required fields are shown with yellow backgrounds and asterisks.

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

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

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

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

Description

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

Amend Exchange Rule 519C

Contact Information

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

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

Signature

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

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

(Title *)

Date	07/24/2017	Associate Counsel
By	Gregory P. Ziegler	<div style="border: 1px solid black; width: 100%; height: 20px;"></div>
	(Name *)	

gziegler@miaxoptions.com

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Miami International Securities Exchange, LLC (“MIAX Options” or “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² proposes to amend Exchange Rule 519C, Mass Cancellation of Trading Interest, as well as to amend its Fee Schedule to identify and adopt fees for proposed Purge Ports.

Notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change to Exchange Rule 519C is attached hereto as Exhibit 5A. The text of the proposed rule change to the Fee Schedule is attached hereto as Exhibit 5B.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX Options Board of Directors on December 8, 2016. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions and comments on the proposed rule change may be directed to Gregory P. Ziegler, Associate 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 offer Market Makers³ that connect to the Exchange using the MIAX Express Interface (“MEI”)⁴ a new type of connection port, named Purge Ports, to be used as dedicated ports for sending purge messages to the Exchange. The Exchange also proposes to amend its Fee Schedule to identify and adopt fees for Purge Ports. Finally, the Exchange proposes to amend Exchange Rule 519C, Mass Cancellation of Trading Interest, to adopt new rule text to reflect the proposed Purge Port functionality, as well as to make clarifying changes to existing rule text to more accurately describe current functionality, and to reorganize the rule for ease of reference.

Market Makers connect to the Exchange’s System⁵ via their assigned MEI ports. Currently, the Exchange offers Market Makers two different types of MEI port connections. The first is a Full Service Port⁶ which supports all message types, and the other is a Limited Service

³ The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and “Registered Market Makers” collectively. See Exchange Rule 100.

⁴ MIAX Express Interface is a connection to MIAX systems that enables Market Makers to submit simple and complex electronic quotes to MIAX. See MIAX Options Fee Schedule, Section 5)d)ii), footnote 26.

⁵ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁶ Full Service MEI Ports provide Market Makers with the ability to send Market Maker simple and complex quotes, eQuotes, and quote purge messages to the MIAX System. Full Service MEI Ports are also capable of receiving administrative information. Market Makers are limited to two Full Service MEI Ports per matching engine. See MIAX Options Fee Schedule, Section 5)d)ii), footnote 27.

Port⁷ which provides slightly less functionality. The Exchange limits Market Makers to two (2) Full Service Ports and allows up to eight (8) Limited Service Ports per MIAX matching engine.⁸

The proposed Purge Ports are a new, optional, third type of MEI port dedicated solely to handling purge messages which would enable a Market Maker, by MPID, to remove all or a subset of its (i) quotations⁹ in the System and block all or a subset of new inbound quotations from being received;¹⁰ or (ii) Standard quotations¹¹ in the System and block all or a subset of new inbound Standard quotations from being received.¹² Sending a purge message pursuant to

⁷ Limited Service MEI Ports provide Market Makers with the ability to send simple and complex eQuotes and quote purge messages only, but not Market Maker Quotes, to the MIAX System. Limited Service MEI Ports are also capable of receiving administrative information. Market Makers initially receive two Limited Service MEI Ports per matching engine. See MIAX Options Exchange Fee Schedule, Section 5)d)ii), footnote 28.

⁸ A “matching engine” is a part of the MIAX electronic system that processes options quotes and trades on a symbol-by-symbol basis. Some matching engines will process option classes with multiple root symbols, and other matching engines will be dedicated to one single option root symbol (for example, options on SPY will be processed by one single matching engine that is dedicated only to SPY). A particular root symbol may only be assigned to a single designated matching engine. A particular root symbol may not be assigned to multiple matching engines. See MIAX Options Exchange Fee Schedule, Section 5)d)ii), footnote 29.

⁹ The term “quote” or “quotation” means a bid or offer entered by a Market Maker that is firm and may update the Market Maker’s previous quote, if any. The Rules of the Exchange provide for the use of different types of quotes, including Standard quotes and eQuotes, as more fully described in Rule 517. A Market Maker may, at times, choose to have multiple types of quotes active in an individual option. See Exchange Rule 100.

¹⁰ A Market Maker currently has the ability to send a purge message to remove all or a subset of its quotations and block all or a subset of its new inbound quotations via its MEI port or by request to the Exchange’s Help Desk. That ability is not changing with this proposal. What is changing with this proposal is the ability of a Market Maker to send that purge message via the proposed Purge Ports.

¹¹ A Standard quote is a quote submitted by a Market Maker that cancels and replaces the Market Maker’s previous Standard quote, if any. See Exchange Rule 517(a)(1).

¹² The Exchange is introducing a new purge message that will remove all or a subset of a Market Maker’s Standard quotations and block all or a subset of its new inbound

(ii) above will not remove or block eQuotes,¹³ which are a specific type of quotation that allows the Market Maker to continue to provide targeted liquidity to the market and to interact with Public Customer¹⁴ orders. When quotes have been purged pursuant to (i) or (ii) above,¹⁵ the block will remain in effect until the Market Maker requests that the Exchange remove the block.

The purge messages described above may be sent via any type of MEI port, however, purge messages received on the proposed Purge Ports will be handled by the System in a way that ensures minimum possible latency (as Purge Ports solely process purge messages, as opposed to Full Service MEI Ports and Limited Service MEI Ports, which also process additional message types), thereby providing Market Makers with a faster, more efficient means to have their quotes removed from the System, which will provide Market Makers with an enhanced level of risk protection.

The proposed Purge Ports are designed to assist Market Makers in the management of, and risk control over, their quotes, particularly if the Market Maker is quoting a large number of options. For example, if a Market Maker detects market indications that may influence the direction or bias of its quotes, the Market Maker may use the proposed Purge Ports to reduce uncertainty and to manage risk by purging all quotes in a number of options seamlessly to avoid unintended executions, while continuing to evaluate the direction of the market.

Standard quotations. This request may only be sent electronically via a Market Maker's existing MEI port, or via the new proposed Purge Ports.

¹³ An eQuote is a quote with a specific time in force that does not automatically cancel and replace a previous Standard quote or eQuote. An eQuote can be cancelled by the Market Maker at any time, or can be replaced by another eQuote that contains specific instructions to cancel an existing eQuote. See Exchange Rule 517(a)(2).

¹⁴ The term "Public Customer" means a person that is not a broker or dealer in securities. See Exchange Rule 100.

¹⁵ The Exchange notes that there is no mass cancellation functionality available to remove eQuotes only and block new inbound eQuotes.

The Exchange also proposes to amend Section 5)d)ii) of its Fee Schedule to identify and adopt fees for Purge Ports. The Exchange currently assesses monthly MEI Port fees on Market Makers based upon the number of matching engines used by the Market Maker. Market Makers are allocated two (2) Full Service MEI Ports and two (2) Limited Service MEI Ports per matching engine to which they connect.

The Exchange currently assesses the following MEI Port fees: (i) \$5,000 for Market Maker Assignments in up to 5 option classes or up to 10% of option classes by volume; (ii) \$10,000 for Market Maker Assignments in up to 10 option classes or up to 20% of option classes by volume; (iii) \$14,000 for Market Maker Assignments in up to 40 option classes or up to 35% of option classes by volume; (iv) \$17,500 for Market Maker Assignments in up to 100 option classes or up to 50% of option classes by volume; and (v) \$20,500 for Market Maker Assignments in over 100 option classes or over 50% of option classes by volume up to all option classes listed on MIAX.¹⁶

The Exchange also currently charges \$100 per month for each additional Limited Service MEI Port per matching engine for Market Makers over and above the two (2) Limited Service MEI Ports per matching engine that are allocated with the Full Service MEI Ports.¹⁷ Market Makers are limited to six (6) additional Limited Service MEI Ports per matching engine, for a total of eight (8) per matching engine.¹⁸ The Full Service MEI Ports, Limited Service MEI Ports

¹⁶ See MIAX Fee Schedule, Section 5)d)ii).

¹⁷ Id.

¹⁸ See MIAX Fee Schedule, footnote 30.

and the additional Limited Service MEI Ports all include access to the Exchange's primary and secondary data centers and its disaster recovery center.¹⁹

With the introduction of Purge Ports, the Exchange proposes to amend Section 5)d)ii) of its Fee Schedule to provide that a Market Maker may request and be allocated two (2) Purge Ports per matching engine to which it connects via a Full Service MEI Port. (That is, a Market Maker must have a Full Service MEI Port connection to a matching engine in order to be eligible to receive Purge Ports with respect to that matching engine.) The Exchange proposes that, for each month in which the Market Maker has been credentialed to use Purge Ports in the production environment and has been assigned to quote in at least one class, the Exchange will assess the Market Maker a flat fee of \$1,500 per month, regardless of the number of actual Purge Ports allocated to the Market Maker. For example, a Market Maker (that requests Purge Ports) that connects to 10 matching engines would be allocated 20 Purge Ports, and would be charged \$1,500 per month for use of those Purge Ports. A Market Maker (that requests Purge Ports) that connects to two (2) matching engines would be allocated four (4) Purge Ports, and would be charged \$1,500 per month for use of those Purge Ports. The Exchange believes that charging Market Makers a flat monthly fee for use of the Purge Port service (regardless of the number of matching engines to which it connects and consequently regardless of the number of Purge Ports allocated to the Market Maker) is equitable, reasonable, and competitive with the fees charged by other exchanges that offer comparable purge port services, as most such exchanges charge per

¹⁹ See MIAX Fee Schedule, Section 5)d)ii).

port, which results in monthly fees for purge port usage that are significantly higher than \$1,500 per month for users with multiple purge ports.²⁰

The Exchange also proposes to amend Exchange Rule 519C, Mass Cancellation of Trading Interest, to clarify current functionality. Specifically, the Exchange proposes to amend 519C(a) which reads, “[a] Member²¹ may remove all of its quotations and/or cancel all or any subset of its orders” Accordingly, the Exchange is deleting the reference to quotations from this subsection (a) as quotations will now be addressed in subsection (b)(2). The Exchange proposes to amend the sentence to read, “[a] Member may remove all or a subset of its orders” The Exchange believes that, although there is no change to existing functionality addressed by subsection (a) of the rule, the proposed changes to subsection (a) provide greater clarity regarding the Exchange’s risk protection functionality as it relates to the handling of orders. Additionally, the Exchange proposes to amend the rule to change the phrase, “any subset” to “a subset” to be consistent with proposed changes to section (b) of the Rule as described below.

The Exchange also proposes to amend Exchange Rule 519C(b) to reorganize the rule for ease of reference and to reflect the proposed Purge Port functionality. Specifically, the Exchange proposes to replace existing rule text pertaining to the removal of quotations and the cancellation of orders with a separate subsection for orders, proposed new subsection (b)(1); and a separate subsection for quotations, proposed new subsection (b)(2). The Exchange proposes to adopt new

²⁰ See Bats BXZ Options Exchange Fee Schedule, Options Logical Port Fees. Bats BZX assesses its members \$750 per month per purge port. See also Nasdaq GEMX Schedule of Fees, Section IV.E. Nasdaq GEMX assesses its members \$1,250 per SQF Purge Port per month, subject to a monthly cap of \$12,500 for SQF Purge Ports and SQF Ports, applicable to market makers.

²¹ 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.

rule text under subsection (b)(1) to describe current functionality pertaining to orders which states, “[a]n EEM may request that the Exchange cancel all or a subset of its orders in the System and block all new inbound orders.” Under this proposal there is no change to the functionality available for Electronic Exchange Members (“EEMs”).²² The Exchange believes that separately describing functionality available for EEMs and Market Makers provides greater clarity and specificity in the Exchange’s rule.

Additionally, the Exchange proposes to adopt new rule text under subsection (b)(2) pertaining to quotations that provides that a Market Maker may remove all or a subset of its quotations and block all or a subset of its new inbound quotations by firm name or MPID.²³ This functionality currently exists on the Exchange and is not new, as a Market Maker may contact Exchange staff to have this action performed on their behalf or may submit a request to the Exchange’s System via its MEI port. However, what is now being proposed pursuant to this filing is that this request may also be sent electronically to the Exchange’s System via the new proposed Purge Ports.

The Exchange also proposes to adopt new rule text for new functionality being introduced in this proposal which provides that a Market Maker may remove all or a subset of its Standard quotations and block all or a subset of its new inbound Standard quotations by MPID. A Market Maker’s eQuotes that are in the System will remain and the Market Maker will retain the ability to continue to send eQuotes to the System. This request may only be submitted to the

²² The term “Electronic Exchange Member” 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.

²³ The term “MPID” means Market Participant Identifier. See Exchange Rule 519C.

Exchange's System electronically via the Market Maker's MEI port, either via its existing MEI ports, or via the new, proposed Purge Ports.

Lastly, the Exchange proposes to amend the rule text which currently states that, "[t]he block will remain in effect until the Member requests Exchange staff to remove the block," by removing the word "staff." To remove a block a Member may (i) send an electronic message directly into the Exchange's System; or (ii) contact Exchange staff. Additionally, a Market Maker may make a request to Exchange staff to remove quotations or may send a message directly to the Exchange's System via its MEI connection. The Exchange believes removing the word staff from the rule text more accurately encompasses the activity under both scenarios.

The Exchange notes that this proposal does not preclude Members from using the existing purge messages provided by either the MEI protocol or the cancel messages provided by the FIX protocol. Under the MEI protocol, Market Makers may request that all quotations for all underlyings, or for a specific underlying, be removed, and that new inbound quotations for all underlyings, or specific underlyings, be blocked. Under the FIX protocol, EEMs may also request that all, or a subset, of orders for an MPID, or all Day or GTC orders for an MPID, on the requesting session, be canceled.

The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 60 days following the operative date of the proposed rule. The implementation date will be no later than 60 days following the issuance of the Regulatory Circular. The Exchange currently anticipates implementing the proposed rule change on August 3, 2017, subject to announcement of the actual date via Regulatory Circular.

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act²⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁵ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²⁶ in that it promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market. Offering Market Makers designated Purge Ports would enhance their ability to manage quotes, quote traffic, and their quoting obligations,²⁷ which would, in turn, improve their risk controls to the benefit of all market participants. The Exchange believes that Purge Ports would foster cooperation and coordination with persons engaged in facilitating transactions in securities because designating Purge Ports for purges only may encourage better use of dedicated ports. This may, concurrent with the ports that carry quotes and other information necessary for market making activities, enable more efficient, as well as fair and reasonable, use of Market Makers' resources. As Purge Ports are only available for purging and not for activities such as order or quote entry, the Purge Ports are not designed to permit unfair discrimination but rather are designed to enable Market Makers to manage their quoting risk and meet their heightened quoting obligations that other market

²⁴ 15 U.S.C. 78f(b).

²⁵ 15 U.S.C. 78f(b)(5).

²⁶ Id.

²⁷ See Exchange Rule 604.

participants are not subject to, which, in turn, benefits all market participants. The Exchange also notes that similar connectivity and functionality is offered by other exchanges.²⁸

The Exchange notes that the proposed rule change will not relieve Market Makers of their continuous quoting obligations under Exchange Rule 604 and under Regulation NMS Rule 602.²⁹ Specifically, any interest that is executable against a Market Maker's quotes that is received by the Exchange's matching engine prior to the time that the purge message is received by the Exchange's matching engine will automatically execute at that price, up to the quote's size. Market Makers that purge their quotes will not be relieved of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet its continuous quoting obligation each trading day.

In addition, the Exchange believes that the proposal 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 Market Makers with an additional purge message which allows them to remove their Standard quotes and blocks new inbound Standard quotes from being received yet preserves their ability to continue to provide liquidity to the market and interact with Public Customer orders via eQuotes. Further, the Exchange is clarifying existing rule text in Rule 519C to better describe current functionality available on the Exchange. The Exchange believes that clarifying current functionality promotes the protection of investors and

²⁸ See Securities Exchange Act Release Nos. 77613 (April 13, 2016), 81 FR 23023 (April 19, 2016) (SR-Phlx-2016-45); 79956 (February 3, 2017), 82 FR 10102 (February 9, 2017) (SR-BatsBZX-2017-05); and 81095 (July 7, 2017), 82 FR 32409 (July 13, 2017) (SR-ISE-2017-62).

²⁹ 17 CFR 242.602.

the public interest by helping market participants better understand the risk protection tools available on the Exchange.

The Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,³⁰ in that it provides for the equitable allocation of reasonable dues, fees and other charges among Members and other persons using any facility or system which the Exchange operates or controls. The Exchange believes that its proposed fees should facilitate the ability of the Exchange to recoup some costs associated with Purge Ports as well as provide, maintain, and improve Purge Ports. The Exchange operates in a highly competitive market in which exchanges offer connectivity services as a means to facilitate the trading activities of Members and other participants. Accordingly, fees charged for connectivity are constrained by the active competition for the order flow of such participants as well as demand for market data from the Exchange. If a particular exchange charges excessive fees for connectivity, affected Members will opt to terminate their connectivity arrangements with that exchange, and adopt a possible range of alternative strategies, including routing to the applicable exchange through another participant or market center or taking that exchange's data indirectly. Accordingly, the exchange charging excessive fees would stand to lose not only connectivity revenues but also revenues associated with the execution of orders routed to it by affected Members, and, to the extent applicable, market data revenues. The Exchange believes that this competitive dynamic imposes powerful restraints on the ability of any exchange to charge unreasonable fees for connectivity. The Exchange also believes the proposed fee for the Purge Ports is equitable, reasonable, and competitive with the rates charged by competitor exchanges for similar functionality.³¹

³⁰ 15 U.S.C. 78f(b)(4).

³¹ See supra note 20.

The Exchange also believes that the proposed amendments to its fee schedule are non-discriminatory because they will apply uniformly to all Market Makers. The proposed Purge Ports are completely voluntary and no Market Maker is required or under any regulatory obligation to utilize them. All Market Makers that voluntarily request this service will be charged the same amount for the same service. All Market Makers have the option to select any connectivity option, and there is no differentiation among Market Makers with regard to the fees charged for the services offered by the Exchange.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will enhance competition because it will enable it to offer similar connectivity and functionality as its competitor exchanges.³² In addition, the proposed Purge Ports are completely voluntary and no Market Maker is required or under any regulatory obligation to utilize them.

The Exchange does not believe that allowing one type of Member (Market Makers) and not the other (EEMs) to utilize the proposed Purge Ports will impose any burden on competition that is not necessary or appropriate in furtherance of the Act, given the roles and responsibilities required by each type of Member. Market Makers connect to the Exchange via MEI while EEMs connect to the Exchange via FIX. Market Makers have a heightened obligation on the Exchange to maintain a continuous two-sided market, pursuant to Rule 604(e). As such, Market Makers have an obligation to provide continuous quotes for a large number of series. The volume of quotes that the Market Maker has in the market directly correlates to the Market

³² See supra note 28.

Maker's risk exposure. EEMs, by contrast, can only send orders to the Exchange and do not have similar obligations. The Exchange believes providing Market Makers with an additional risk management tool will enhance competition as this tool is already offered by other exchanges.³³

The Exchange believes its proposed amendments to its Fee Schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes the proposed rule change will enhance competition because it will enable it to offer similar connectivity and functionality as its competitor exchanges.³⁴ In addition, the proposed Purge Ports are completely voluntary and no Market Maker is required or under any regulatory obligation to utilize them. The Exchange does not believe that the proposed change represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Market Makers may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Market Makers or competing venues to maintain their competitive standing in the financial markets.

The Exchange believes that fees for the proposed Purge Ports and connectivity, in general, are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, including Purge Port fees, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The Exchange also does not believe the proposed rule change would impact intramarket competition as it would apply to all Members and non-Members equally.

³³ Id.

³⁴ Id.

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

The Exchange has neither solicited nor received comments on the proposed rule change.

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 Act³⁵ and Rule 19b-4(f)(6)³⁶ 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 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 proposed rule change does not raise any novel or unique substantive issues, and the Exchange notes that similar rules are currently operative on others exchanges.³⁷ The proposal is non-controversial because it would not significantly affect the protection of investors or the public interest because offering Purge Ports enables Market Makers to continue to manage their risk. The proposed rule change also does not impose any significant burden on competition for the reasons set forth above. Accordingly, the Exchange believes that the proposed rule change is eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

³⁵ 15 U.S.C. 78s(b)(3)(A).

³⁶ 17 CFR 240.19b-4(f)(6).

³⁷ See supra note 20.

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.

The Exchange respectfully requests that the Commission waive the 30-day operative period so that the enhanced risk protection for Market Makers offered via the new, proposed Purge Ports as described in this proposal can go into effect as soon as possible. The Exchange believes that the Purge Ports will be an indispensable tool for Market Makers in managing their risk levels, and that such a waiver ensures the protection of investors and the public interest, consistent with the Act.

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 rule change is based on BATS Exchange Rule 22.11 and Phlx's SQF Purge Ports proposed in SR-Phlx-2016-45.³⁸ BATS' Purge Ports provide for the purging of all quotes and orders in an underlying symbol or a subset of quotes and orders and the blocking of future quotes and orders. BATS provides Purge Ports to all members of the exchange, however BATS acknowledges that the Purge Ports will be used primarily by market makers. Additionally, BATS allows members to identify the subset of orders to be purged based on their own risk profile and

³⁸ See Securities Exchange Act Release No. 77613 (April 13, 2016), 81 FR 23023 (April 19, 2016) (SR-Phlx-2016-45).

members may select orders across series, strike price, and/or expiration date.³⁹ Phlx's SQF Purge Ports, however, are only available to Market Makers and are dedicated ports utilized for the sole purpose of purging option interest from the Exchange's system and allowing entry of underlying-level purges for a specified range of 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.

³⁹ See Securities Exchange Act Release No. 79956 (February 3, 2017), 82 FR 10102 (February 9, 2017) (SR-BatsBZX-2017-05).

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-MIAX-2017-36)

July __, 2017

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange LLC to Adopt a New Type of MIAX Express Interface Port Known as a Purge Port and to Amend MIAX Options Rule 519C, Mass Cancellation of Trading Interest, to Adopt a New Purge Message, as well as to Amend its Fee Schedule to Adopt Fees for Purge Ports

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 July 24, 2017, Miami International Securities Exchange, LLC (“MIAX Options” 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 is filing a proposal to amend Rule 519C, Mass Cancellation of Trading Interest, to adopt new rule text to reflect the proposed Purge Port functionality, as well as to make clarifying changes to existing rule text to more accurately describe current functionality, and to reorganize the rule for ease of reference. The Exchange is also proposing to amend its Fee Schedule to adopt fees for Purge Ports.

The text of the proposed changes to Exchange Rule 519C is attached as Exhibit 5A. The proposed changes to the Fee Schedule are attached as Exhibit 5B. The text of the proposed rule

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

change is available on the Exchange's website at <http://www.miaxoptions.com/rule-filings>, at MIAX's principal office, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to offer Market Makers³ that connect to the Exchange using the MIAX Express Interface ("MEI")⁴ a new type of connection port, named Purge Ports, to be used as dedicated ports for sending purge messages to the Exchange. The Exchange also proposes to amend its Fee Schedule to identify and adopt fees for Purge Ports. Finally, the Exchange proposes to amend Exchange Rule 519C, Mass Cancellation of Trading Interest, to adopt new rule text to reflect the proposed Purge Port functionality, as well as to make clarifying changes to existing rule text to more accurately describe current functionality, and to reorganize the rule for ease of reference.

³ The term "Market Makers" refers to "Lead Market Makers", "Primary Lead Market Makers" and "Registered Market Makers" collectively. See Exchange Rule 100.

⁴ MIAX Express Interface is a connection to MIAX systems that enables Market Makers to submit simple and complex electronic quotes to MIAX. See MIAX Options Fee Schedule, Section 5)d)ii), footnote 26.

Market Makers connect to the Exchange's System⁵ via their assigned MEI ports.

Currently, the Exchange offers Market Makers two different types of MEI port connections. The first is a Full Service Port⁶ which supports all message types, and the other is a Limited Service Port⁷ which provides slightly less functionality. The Exchange limits Market Makers to two (2) Full Service Ports and allows up to eight (8) Limited Service Ports per MIAX matching engine.⁸

The proposed Purge Ports are a new, optional, third type of MEI port dedicated solely to handling purge messages which would enable a Market Maker, by MPID, to remove all or a subset of its (i) quotations⁹ in the System and block all or a subset of new inbound quotations

⁵ The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁶ Full Service MEI Ports provide Market Makers with the ability to send Market Maker simple and complex quotes, eQuotes, and quote purge messages to the MIAX System. Full Service MEI Ports are also capable of receiving administrative information. Market Makers are limited to two Full Service MEI Ports per matching engine. See MIAX Options Fee Schedule, Section 5)d)ii), footnote 27.

⁷ Limited Service MEI Ports provide Market Makers with the ability to send simple and complex eQuotes and quote purge messages only, but not Market Maker Quotes, to the MIAX System. Limited Service MEI Ports are also capable of receiving administrative information. Market Makers initially receive two Limited Service MEI Ports per matching engine. See MIAX Options Exchange Fee Schedule, Section 5)d)ii), footnote 28.

⁸ A "matching engine" is a part of the MIAX electronic system that processes options quotes and trades on a symbol-by-symbol basis. Some matching engines will process option classes with multiple root symbols, and other matching engines will be dedicated to one single option root symbol (for example, options on SPY will be processed by one single matching engine that is dedicated only to SPY). A particular root symbol may only be assigned to a single designated matching engine. A particular root symbol may not be assigned to multiple matching engines. See MIAX Options Exchange Fee Schedule, Section 5)d)ii), footnote 29.

⁹ The term "quote" or "quotation" means a bid or offer entered by a Market Maker that is firm and may update the Market Maker's previous quote, if any. The Rules of the Exchange provide for the use of different types of quotes, including Standard quotes and eQuotes, as more fully described in Rule 517. A Market Maker may, at times, choose to have multiple types of quotes active in an individual option. See Exchange Rule 100.

from being received;¹⁰ or (ii) Standard quotations¹¹ in the System and block all or a subset of new inbound Standard quotations from being received.¹² Sending a purge message pursuant to (ii) above will not remove or block eQuotes,¹³ which are a specific type of quotation that allows the Market Maker to continue to provide targeted liquidity to the market and to interact with Public Customer¹⁴ orders. When quotes have been purged pursuant to (i) or (ii) above,¹⁵ the block will remain in effect until the Market Maker requests that the Exchange remove the block.

The purge messages described above may be sent via any type of MEI port, however, purge messages received on the proposed Purge Ports will be handled by the System in a way that ensures minimum possible latency (as Purge Ports solely process purge messages, as opposed to Full Service MEI Ports and Limited Service MEI Ports, which also process additional message types), thereby providing Market Makers with a faster, more efficient means to have their quotes removed from the System, which will provide Market Makers with an enhanced level of risk protection.

¹⁰ A Market Maker currently has the ability to send a purge message to remove all or a subset of its quotations and block all or a subset of its new inbound quotations via its MEI port or by request to the Exchange's Help Desk. That ability is not changing with this proposal. What is changing with this proposal is the ability of a Market Maker to send that purge message via the proposed Purge Ports.

¹¹ A Standard quote is a quote submitted by a Market Maker that cancels and replaces the Market Maker's previous Standard quote, if any. See Exchange Rule 517(a)(1).

¹² The Exchange is introducing a new purge message that will remove all or a subset of a Market Maker's Standard quotations and block all or a subset of its new inbound Standard quotations. This request may only be sent electronically via a Market Maker's existing MEI port, or via the new proposed Purge Ports.

¹³ An eQuote is a quote with a specific time in force that does not automatically cancel and replace a previous Standard quote or eQuote. An eQuote can be cancelled by the Market Maker at any time, or can be replaced by another eQuote that contains specific instructions to cancel an existing eQuote. See Exchange Rule 517(a)(2).

¹⁴ The term "Public Customer" means a person that is not a broker or dealer in securities. See Exchange Rule 100.

¹⁵ The Exchange notes that there is no mass cancellation functionality available to remove eQuotes only and block new inbound eQuotes.

The proposed Purge Ports are designed to assist Market Makers in the management of, and risk control over, their quotes, particularly if the Market Maker is quoting a large number of options. For example, if a Market Maker detects market indications that may influence the direction or bias of its quotes, the Market Maker may use the proposed Purge Ports to reduce uncertainty and to manage risk by purging all quotes in a number of options seamlessly to avoid unintended executions, while continuing to evaluate the direction of the market.

The Exchange also proposes to amend Section 5)d)ii) of its Fee Schedule to identify and adopt fees for Purge Ports. The Exchange currently assesses monthly MEI Port fees on Market Makers based upon the number of matching engines used by the Market Maker. Market Makers are allocated two (2) Full Service MEI Ports and two (2) Limited Service MEI Ports per matching engine to which they connect.

The Exchange currently assesses the following MEI Port fees: (i) \$5,000 for Market Maker Assignments in up to 5 option classes or up to 10% of option classes by volume; (ii) \$10,000 for Market Maker Assignments in up to 10 option classes or up to 20% of option classes by volume; (iii) \$14,000 for Market Maker Assignments in up to 40 option classes or up to 35% of option classes by volume; (iv) \$17,500 for Market Maker Assignments in up to 100 option classes or up to 50% of option classes by volume; and (v) \$20,500 for Market Maker Assignments in over 100 option classes or over 50% of option classes by volume up to all option classes listed on MIAX.¹⁶

The Exchange also currently charges \$100 per month for each additional Limited Service MEI Port per matching engine for Market Makers over and above the two (2) Limited Service MEI Ports per matching engine that are allocated with the Full Service MEI Ports.¹⁷ Market

¹⁶ See MIAX Fee Schedule, Section 5)d)ii).

¹⁷ Id.

Makers are limited to six (6) additional Limited Service MEI Ports per matching engine, for a total of eight (8) per matching engine.¹⁸ The Full Service MEI Ports, Limited Service MEI Ports and the additional Limited Service MEI Ports all include access to the Exchange's primary and secondary data centers and its disaster recovery center.¹⁹

With the introduction of Purge Ports, the Exchange proposes to amend Section 5)d)ii) of its Fee Schedule to provide that a Market Maker may request and be allocated two (2) Purge Ports per matching engine to which it connects via a Full Service MEI Port. (That is, a Market Maker must have a Full Service MEI Port connection to a matching engine in order to be eligible to receive Purge Ports with respect to that matching engine.) The Exchange proposes that, for each month in which the Market Maker has been credentialed to use Purge Ports in the production environment and has been assigned to quote in at least one class, the Exchange will assess the Market Maker a flat fee of \$1,500 per month, regardless of the number of actual Purge Ports allocated to the Market Maker. For example, a Market Maker (that requests Purge Ports) that connects to 10 matching engines would be allocated 20 Purge Ports, and would be charged \$1,500 per month for use of those Purge Ports. A Market Maker (that requests Purge Ports) that connects to two (2) matching engines would be allocated four (4) Purge Ports, and would be charged \$1,500 per month for use of those Purge Ports. The Exchange believes that charging Market Makers a flat monthly fee for use of the Purge Port service (regardless of the number of matching engines to which it connects and consequently regardless of the number of Purge Ports allocated to the Market Maker) is equitable, reasonable, and competitive with the fees charged by other exchanges that offer comparable purge port services, as most such exchanges charge per

¹⁸ See MIAX Fee Schedule, footnote 30.

¹⁹ See MIAX Fee Schedule, Section 5)d)ii).

port, which results in monthly fees for purge port usage that are significantly higher than \$1,500 per month for users with multiple purge ports.²⁰

The Exchange also proposes to amend Exchange Rule 519C, Mass Cancellation of Trading Interest, to clarify current functionality. Specifically, the Exchange proposes to amend 519C(a) which reads, “[a] Member²¹ may remove all of its quotations and/or cancel all or any subset of its orders” Accordingly, the Exchange is deleting the reference to quotations from this subsection (a) as quotations will now be addressed in subsection (b)(2). The Exchange proposes to amend the sentence to read, “[a] Member may remove all or a subset of its orders” The Exchange believes that, although there is no change to existing functionality addressed by subsection (a) of the rule, the proposed changes to subsection (a) provide greater clarity regarding the Exchange’s risk protection functionality as it relates to the handling of orders. Additionally, the Exchange proposes to amend the rule to change the phrase, “any subset” to “a subset” to be consistent with proposed changes to section (b) of the Rule as described below.

The Exchange also proposes to amend Exchange Rule 519C(b) to reorganize the rule for ease of reference and to reflect the proposed Purge Port functionality. Specifically, the Exchange proposes to replace existing rule text pertaining to the removal of quotations and the cancellation of orders with a separate subsection for orders, proposed new subsection (b)(1); and a separate subsection for quotations, proposed new subsection (b)(2). The Exchange proposes to adopt new rule text under subsection (b)(1) to describe current functionality pertaining to orders which

²⁰ See Bats BXZ Options Exchange Fee Schedule, Options Logical Port Fees. Bats BZX assesses its members \$750 per month per purge port. See also Nasdaq GEMX Schedule of Fees, Section IV.E. Nasdaq GEMX assesses its members \$1,250 per SQF Purge Port per month, subject to a monthly cap of \$12,500 for SQF Purge Ports and SQF Ports, applicable to market makers.

²¹ 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.

states, “[a]n EEM may request that the Exchange cancel all or a subset of its orders in the System and block all new inbound orders.” Under this proposal there is no change to the functionality available for Electronic Exchange Members (“EEMs”).²² The Exchange believes that separately describing functionality available for EEMs and Market Makers provides greater clarity and specificity in the Exchange’s rule.

Additionally, the Exchange proposes to adopt new rule text under subsection (b)(2) pertaining to quotations that provides that a Market Maker may remove all or a subset of its quotations and block all or a subset of its new inbound quotations by firm name or MPID.²³ This functionality currently exists on the Exchange and is not new, as a Market Maker may contact Exchange staff to have this action performed on their behalf or may submit a request to the Exchange’s System via its MEI port. However, what is now being proposed pursuant to this filing is that this request may also be sent electronically to the Exchange’s System via the new proposed Purge Ports.

The Exchange also proposes to adopt new rule text for new functionality being introduced in this proposal which provides that a Market Maker may remove all or a subset of its Standard quotations and block all or a subset of its new inbound Standard quotations by MPID. A Market Maker’s eQuotes that are in the System will remain and the Market Maker will retain the ability to continue to send eQuotes to the System. This request may only be submitted to the Exchange’s System electronically via the Market Maker’s MEI port, either via its existing MEI ports, or via the new, proposed Purge Ports.

²² The term “Electronic Exchange Member” 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.

²³ The term “MPID” means Market Participant Identifier. See Exchange Rule 519C.

Lastly, the Exchange proposes to amend the rule text which currently states that, “[t]he block will remain in effect until the Member requests Exchange staff to remove the block,” by removing the word “staff.” To remove a block a Member may (i) send an electronic message directly into the Exchange’s System; or (ii) contact Exchange staff. Additionally, a Market Maker may make a request to Exchange staff to remove quotations or may send a message directly to the Exchange’s System via its MEI connection. The Exchange believes removing the word staff from the rule text more accurately encompasses the activity under both scenarios.

The Exchange notes that this proposal does not preclude Members from using the existing purge messages provided by either the MEI protocol or the cancel messages provided by the FIX protocol. Under the MEI protocol, Market Makers may request that all quotations for all underlyings, or for a specific underlying, be removed, and that new inbound quotations for all underlyings, or specific underlyings, be blocked. Under the FIX protocol, EEMs may also request that all, or a subset, of orders for an MPID, or all Day or GTC orders for an MPID, on the requesting session, be canceled.

The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 60 days following the operative date of the proposed rule. The implementation date will be no later than 60 days following the issuance of the Regulatory Circular. The Exchange currently anticipates implementing the proposed rule change on August 3, 2017, subject to announcement of the actual date via Regulatory Circular.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act²⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁵ in particular, in that it

²⁴ 15 U.S.C. 78f(b).

²⁵ 15 U.S.C. 78f(b)(5).

is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²⁶ in that it promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market. Offering Market Makers designated Purge Ports would enhance their ability to manage quotes, quote traffic, and their quoting obligations,²⁷ which would, in turn, improve their risk controls to the benefit of all market participants. The Exchange believes that Purge Ports would foster cooperation and coordination with persons engaged in facilitating transactions in securities because designating Purge Ports for purges only may encourage better use of dedicated ports. This may, concurrent with the ports that carry quotes and other information necessary for market making activities, enable more efficient, as well as fair and reasonable, use of Market Makers' resources. As Purge Ports are only available for purging and not for activities such as order or quote entry, the Purge Ports are not designed to permit unfair discrimination but rather are designed to enable Market Makers to manage their quoting risk and meet their heightened quoting obligations that other market participants are not subject to, which, in turn, benefits all market participants. The Exchange also notes that similar connectivity and functionality is offered by other exchanges.²⁸

²⁶ Id.

²⁷ See Exchange Rule 604.

²⁸ See Securities Exchange Act Release Nos. 77613 (April 13, 2016), 81 FR 23023 (April 19, 2016) (SR-Phlx-2016-45); 79956 (February 3, 2017), 82 FR 10102 (February 9, 2017) (SR-BatsBZX-2017-05); and 81095 (July 7, 2017), 82 FR 32409 (July 13, 2017) (SR-ISE-2017-62).

The Exchange notes that the proposed rule change will not relieve Market Makers of their continuous quoting obligations under Exchange Rule 604 and under Regulation NMS Rule 602.²⁹ Specifically, any interest that is executable against a Market Maker's quotes that is received by the Exchange's matching engine prior to the time that the purge message is received by the Exchange's matching engine will automatically execute at that price, up to the quote's size. Market Makers that purge their quotes will not be relieved of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet its continuous quoting obligation each trading day.

In addition, the Exchange believes that the proposal 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 Market Makers with an additional purge message which allows them to remove their Standard quotes and blocks new inbound Standard quotes from being received yet preserves their ability to continue to provide liquidity to the market and interact with Public Customer orders via eQuotes. Further, the Exchange is clarifying existing rule text in Rule 519C to better describe current functionality available on the Exchange. The Exchange believes that clarifying current functionality promotes the protection of investors and the public interest by helping market participants better understand the risk protection tools available on the Exchange.

The Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,³⁰ in that it provides for the equitable allocation of reasonable dues, fees and other charges among Members and other persons using any facility or system which the Exchange

²⁹ 17 CFR 242.602.

³⁰ 15 U.S.C. 78f(b)(4).

operates or controls. The Exchange believes that its proposed fees should facilitate the ability of the Exchange to recoup some costs associated with Purge Ports as well as provide, maintain, and improve Purge Ports. The Exchange operates in a highly competitive market in which exchanges offer connectivity services as a means to facilitate the trading activities of Members and other participants. Accordingly, fees charged for connectivity are constrained by the active competition for the order flow of such participants as well as demand for market data from the Exchange. If a particular exchange charges excessive fees for connectivity, affected Members will opt to terminate their connectivity arrangements with that exchange, and adopt a possible range of alternative strategies, including routing to the applicable exchange through another participant or market center or taking that exchange's data indirectly. Accordingly, the exchange charging excessive fees would stand to lose not only connectivity revenues but also revenues associated with the execution of orders routed to it by affected Members, and, to the extent applicable, market data revenues. The Exchange believes that this competitive dynamic imposes powerful restraints on the ability of any exchange to charge unreasonable fees for connectivity. The Exchange also believes the proposed fee for the Purge Ports is equitable, reasonable, and competitive with the rates charged by competitor exchanges for similar functionality.³¹

The Exchange also believes that the proposed amendments to its fee schedule are non-discriminatory because they will apply uniformly to all Market Makers. The proposed Purge Ports are completely voluntary and no Market Maker is required or under any regulatory obligation to utilize them. All Market Makers that voluntarily request this service will be charged the same amount for the same service. All Market Makers have the option to select any connectivity option, and there is no differentiation among Market Makers with regard to the fees charged for the services offered by the Exchange.

³¹ See supra note 20.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will enhance competition because it will enable it to offer similar connectivity and functionality as its competitor exchanges.³² In addition, the proposed Purge Ports are completely voluntary and no Market Maker is required or under any regulatory obligation to utilize them.

The Exchange does not believe that allowing one type of Member (Market Makers) and not the other (EEMs) to utilize the proposed Purge Ports will impose any burden on competition that is not necessary or appropriate in furtherance of the Act, given the roles and responsibilities required by each type of Member. Market Makers connect to the Exchange via MEI while EEMs connect to the Exchange via FIX. Market Makers have a heightened obligation on the Exchange to maintain a continuous two-sided market, pursuant to Rule 604(e). As such, Market Makers have an obligation to provide continuous quotes for a large number of series. The volume of quotes that the Market Maker has in the market directly correlates to the Market Maker's risk exposure. EEMs, by contrast, can only send orders to the Exchange and do not have similar obligations. The Exchange believes providing Market Makers with an additional risk management tool will enhance competition as this tool is already offered by other exchanges.³³

The Exchange believes its proposed amendments to its Fee Schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes the proposed rule change will enhance competition because it will enable it to offer similar connectivity and functionality as its

³² See supra note 28.

³³ Id.

competitor exchanges.³⁴ In addition, the proposed Purge Ports are completely voluntary and no Market Maker is required or under any regulatory obligation to utilize them. The Exchange does not believe that the proposed change represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Market Makers may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Market Makers or competing venues to maintain their competitive standing in the financial markets.

The Exchange believes that fees for the proposed Purge Ports and connectivity, in general, are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, including Purge Port fees, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The Exchange also does not believe the proposed rule change would impact intramarket competition as it would apply to all Members and non-Members equally.

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

³⁴

Id.

Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act³⁵ and Rule 19b-4(f)(6)³⁶ 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
- Send an e-mail [to rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2017-36 on the subject line.

Paper comments:

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

³⁵ 15 U.S.C. 78s(b)(3)(A).

³⁶ 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.

All submissions should refer to File Number SR-MIAX-2017-36. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-MIAX-2017-36 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.³⁷

Brent J. Fields
Secretary

³⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5A

New text is underlined;
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MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC

Rule 519C. Mass Cancellation of Trading Interest

(a) **Cancel.** A Member may [remove all of its quotations and/or]cancel all or a[ny] subset of its orders in the System, by firm name or by Market Participant Identifier (“MPID”), by requesting the Exchange staff to effect such cancellations.

(b) **Cancel and Block.** [A Member may request Exchange staff to (i) remove all of its quotations and cancel all of its orders in the System and (ii) block all new inbound quotations and orders, by firm name or by MPID.]

(1) An EEM may request that the Exchange cancel all or a subset of its orders in the System and block all new inbound orders.

(2) A Market Maker may request that the Exchange remove all or a subset of its (i) quotations in the System and block all or a subset of its new inbound quotations by firm name or MPID; or (ii) Standard quotations in the System and block all or a subset of its new inbound Standard quotations by MPID.

The block will remain in effect until the Member requests that the Exchange [staff to]remove the block.

Exhibit 5B

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

MIAX Options Fee Schedule

1) - 4) No change.

5) System Connectivity Fees

a)– c) No change.

d) Port Fees

i) No change.

ii) MEI Port Fees

Monthly MIAX MEI Fees	Market Maker Assignments (the lesser of the applicable measurements below)	
	Per Class	% of National Average Daily Volume
\$5,000.00	Up to 5 Classes	Up to 10% of Classes by volume
\$10,000.00	Up to 10 Classes	Up to 20% of Classes by volume
\$14,000.00	Up to 40 Classes	Up to 35% of Classes by volume
\$17,500.00	Up to 100 Classes	Up to 50% of Classes by volume
\$20,500.00	Over 100 Classes	Over 50% of Classes by volume up to all Classes listed on MIAX

MIAX will assess monthly MIAX Express Interface (“MEI”)²⁶ Port Fees on Market Makers in each month the Member has been credentialed to use the MEI Port in the production environment and has been assigned to quote in at least one class. The amount of the monthly MEI Port Fee will be based upon the number of classes in which the Market Maker was assigned to quote on any given day within the calendar month, and upon the class volume percentages set forth in the above table. The class volume percentage is based on the total national average daily volume in classes listed on MIAX in the prior calendar quarter. Newly listed option classes are excluded from the calculation of the monthly MEI Port Fee until the calendar quarter following their listing, at which time the newly listed option classes will be included in both the per class count and the percentage of total national average daily volume. The Exchange will assess MIAX Market Makers the monthly MEI Port Fee based on the greatest number of classes listed on

²⁶ MIAX Express Interface is a connection to MIAX systems that enables Market Makers to submit simple and complex electronic quotes to MIAX.

MIAX that the MIAX Market Maker was assigned to quote in on any given day within a calendar month and the applicable fee rate that is the lesser of either the per class basis or percentage of total national average daily volume measurement. For example, if Market Maker 1 elects to quote the top 40 option classes which consist of 58% of the total national average daily volume in the prior calendar quarter, the Exchange would assess \$14,000 to Market Maker 1 for the month which is the lesser of 'up to 40 classes' and 'over 50% of classes by volume up to all classes listed on MIAX'. If Market Maker 2 elects to quote the bottom 1000 option classes which consist of 10% of the total national average daily volume in the prior quarter, the Exchange would assess \$5,000 to Market Maker 2 for the month which is the lesser of 'over 100 classes' and 'up to 10% of classes by volume'.

MEI Port users will be allocated two (2) Full Service MEI Ports²⁷ and two (2) Limited Service MEI Ports²⁸ per matching engine²⁹ to which they connect. MEI Port Fees include MEI Ports at the Primary, Secondary and Disaster Recovery data centers. MIAX Market Makers may request additional Limited Service MEI Ports for which MIAX will assess MIAX Market Makers \$100 per month per additional Limited Service MEI Port for each engine.³⁰

A MIAX Market Maker may request and be allocated two (2) Purge Ports³¹ per matching engine to which it connects via a Full Service MEI Port. For each month in which the MIAX Market Maker has been credentialed to use Purge Ports in the production environment and has been assigned to quote in at least one class, the Exchange will assess the MIAX Market Maker a flat fee of \$1,500 per month, regardless of the number of Purge Ports allocated to the MIAX Market Maker.

iii) No change.

²⁷ Full Service MEI Ports provide Market Makers with the ability to send Market Maker simple and complex quotes, eQuotes, and quote purge messages to the MIAX System. Full Service MEI Ports are also capable of receiving administrative information. Market Makers are limited to two Full Service MEI Ports per matching engine.

²⁸ Limited Service MEI Ports provide Market Makers with the ability to send simple and complex eQuotes and quote purge messages only, but not Market Maker Quotes, to the MIAX System. Limited Service MEI Ports are also capable of receiving administrative information. Market Makers initially receive two Limited Service MEI Ports per matching engine.

²⁹ A "matching engine" is a part of the MIAX electronic system that processes options quotes and trades on a symbol-by- symbol basis. Some matching engines will process option classes with multiple root symbols, and other matching engines will be dedicated to one single option root symbol (for example, options on SPY will be processed by one single matching engine that is dedicated only to SPY). A particular root symbol may only be assigned to a single designated matching engine. A particular root symbol may not be assigned to multiple matching engines.

³⁰ Market Makers are limited to six additional Limited Service MEI Ports per matching engine, for a total of eight per matching engine.

³¹ Purge Ports provide Market Makers with the ability to send quote purge messages to the MIAX System. Purge Ports are not capable of sending or receiving any other type of messages or information.

iv) FIX Drop Copy Port Fees

Description	MIAX Monthly Port Fees Includes connectivity to the Primary, Secondary and Disaster Recovery Data Centers^{[31]32}
FIX Drop Copy Port	\$500 per month

The FIX Drop Copy Port (“FXD”) is a messaging interface that will provide a copy of real-time trade execution, trade correction and trade cancellation information for simple and complex orders to FIX Drop Copy Port users who subscribe to the service. FIX Drop Copy Port users are those users who are designated by an EEM to receive the information and the information is restricted for use by the EEM only. FXD Port Fees will be assessed in any month the Member is credentialed to use the FXD Port in the production environment.

e) – f) No change.

6) No change.

^{[31]32} MIAX has primary and secondary data centers and a disaster recovery center. Each port provides access to all three data centers for a single fee.