MIAX Emerald Options Exchange

MIAX Emerald PRIME Price Improvement Mechanism

Modified June 2024

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1. Overview

The MIAX Price Improvement Mechanism (MIAX PRIME®) provides a fully electronic, price improvement auction open to all members providing Agency Orders an opportunity to receive better execution prices. PRIME orders consist of paired orders of equal size; the Contra side of the paired order guarantees the Agency side a complete fill at a price no worse than the auction start price (the stop price).

MIAX PRIME functionality is available for both Simple (PRIME) and Complex (cPRIME) orders.

2. Starting a PRIME Auction

PRIME Orders

- A MIAX Electronic Exchange Member (EEM) submits an order it represents as agent (Agency Order) along with a Contra side order (Contra Order) for the full size of the Agency Order
    - The Agency Order may be of any origin
- The Contra Order guarantees the Agency Order a fill with either principal or solicited interest at the stop price
    - The Contra Order may be made up of multiple participants of any origin except MIAX Market Maker

PRIME Auction Start Price

- For Simple PRIME, the Contra Order stops the Agency Order at a price that is equal to or better than the NBBO on the opposite side of the market from the Agency Order
- For cPRIME, the Contra Order stops the Agency Order at a price that is at least one penny inside of (1) the best MIAX leg market or (2) a complex order resting on the Strategy Book
- The stop price also defines the auction's start price
- The PRIME Auction stop price and auction responses may be in pennies irrespective of the option's MPV

3. PRIME Auction Initiation

Single-Price Submission

- Unless otherwise specified, PRIME orders default to single-price submission
- With single-price submission the Contra Party guarantees the Agency Order a complete fill at a price no worse than the auction stop price
- When using single-price submission, the Contra Party may opt for last priority in the allocation (not available in cPRIME)
    - If elected, the Contra Party will only participate if needed after all other tradable interest

Auto-Match Limit and Auto Match Market

- As an alternative to single-price submission, the Contra Party may participate in a PRIME auction by automatically matching responses with either an auto-match limit price or an auto-match market price instruction

PRIME Auction

- MIAX initiates a PRIME auction upon receipt of a qualified PRIME order and disseminates a request-for-response (RFR) message to all of its market data subscribers
- The RFR message identifies the option, side, size, auction start price, and auction start-time
- If upon receipt of a PRIME order MIAX has managed interest resting on its book on the opposite side of the market from the Agency Order, the Agency Order will immediately trade against the managed interest and any residual Agency Order quantity initiates the auction

Auction Responders

- All MIAX members, regardless of origin, may respond to a PRIME Auction
- Auction responses shall be an Auction or Cancel (AOC) order or AOC eQuote
- Auction responses are neither published nor visible to anyone
- Responders may submit multiple responses on the opposite side of the market from the Agency Order that may be modified or canceled throughout the auction
- Responses are held until the end of the auction and must equal or improve the auction start price

Allocation

- The allocation Contra Party percentage is determined by the number of responders eligible to trade at each price level, including the Contra party when applicable

Contra Party Participation for Single-Price Submission

- If only one other responder joins the Contra Party at the final price, the Contra Order receives a 50% allocation based on the original size of the order; otherwise the Contra Party receives a 40% allocation
- If the Contra Party specifies the last-to-fill option, the Contra Party foregoes its assured allocation

Contra Party Participation for Auto-Match Submission

- If using auto match, the Contra Party is eligible to receive a 40% allocation of the remaining Agency Order size
- MIAX applies its standard allocation algorithm at the conclusion of the auction;
    - Priority Customers receive first priority
    - The remaining quantity is allocated next to Market Makers with Priority Quotes, and finally
    - Professional interest
    - The system will round the number of contracts to the nearest whole number (up or down)
- If the allocation results in a remainder of exactly one-half contract (.50000), then the system will round the number of contracts to which the initiating member is entitled up to the next higher whole number.
- The duration of a PRIME and cPRIME auction is set at 100 milliseconds and limited to one ongoing auction per option at any given time
- The System will not start a PRIME or cPRIME auction if the option (for Simple PRIME) or any component of a complex strategy (for cPRIME) is the subject of an ongoing PRIME auction, complex auction, or cPRIME auction
- For Agency Orders less than 50 contracts, the NBBO width for that option must be greater than $0.01, otherwise the system will reject the order

4. Contact MIAX

For more information about PRIME and cPRIME please see the MIAX Emerald Options User Manual or contact Sales at: Sales@MIAXGlobal.com or 609-897-8177

For the latest connectivity specification, please visit:
Interface Specifications

To schedule testing or certification, contact Trading Operations at:

TradingOperations@MIAXGlobal.com or 609-897-7388

5. Appendix A, Revision History

Date	Version	Description
6/28/2024	1.0.0	Modified: - General Price Improvement Mechanism upgrade



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