MIAX OPTIONS EXCHANGE RISK PROTECTION MONITOR (MIAX RPM™)

MIAX RPM: An Activity-Based Protection Tailored to Your Risk Profile
New Risk Control Functionality from the MIAX Options Exchange

An Overview

While many market protections evaluate price reasonability, RPM addresses risk beyond price and responds to changes in order flow activity. By using time, orders, and executed contracts as variables, RPM is able to detect microbursts or other activity that may be considered risky.

RPM is available to order flow providers and clearing firm Members. The protections apply to Member-defined groups that are made up of one or more MPIDs. Members can create multiple groups and assign order and/or executed contract rate thresholds in line with each group's risk tolerance. Each group has a designated group owner who defines, oversees, and revises the RPM risk settings.

RPM calculates metrics on the rates of submitted orders or executed contracts from orders within a specified time period for each group. The group owner may assign multiple sets of metrics on the rates of orders entered and executed contracts from orders – each metric with its own duration.

When triggered, RPM can block new orders, mass-cancel all open Day orders and block new orders, or send a warning message.

To resume order placement, the group owner must first communicate with MIAX's Trading Operations team. Trading Operations manually resets the RPM metric so that the group may continue trading.

Manage Operational Risk

MIAX's Risk Protection Monitor (MIAX RPM) improves Members' collective capacity to identify, assess, and supervise operational risk against their defined risk thresholds.

Contact Us

For more information on MIAX's Risk Protections including MIAX RPM:

Email: sales@miaxoptions.com

Regulatory

MIAX Rule 519A

Related Rule Filings:

SR-MIAX-2015-03

Getting Started

Grouping

An MPID, or a collection of MPIDs, constitutes a group. A group may also include MPIDs from other Member firms. For example, a Clearing Member, or a Member with a relationship with another Member, may create a group that spans multiple firms and apply RPM protections to the entire group.

Every group has an owner firm. The group owners are the point-of-contact for MIAX's Trading Operations team. Only group owners can give Trading Operations permission to resume order placement if RPM is triggered.

Members that Group with Other Members

A Member firm may choose to group with MPIDs from another Member firm to apply RPM protections collectively to the group. To do so, certain conditions apply:

♦   Common Ownership between the firms of at least 75%; or

♦   Each group member authorizes and files with the Exchange that the group owner firm has exclusive control of the RPM settings, including the action to take when RPM is triggered

Clearing Members that Group with Other Members

A Clearing Member may choose to create a group that includes a single Member firm or multiple Member firms provided that:

♦   The Clearing Member serves as the clearing firm for every Member firm in the group, and

♦   Every Member firm in the group agrees in writing and files with the Exchange to be a member of the Clearing group

A Clearing Member firm that has grouped several Members may only receive RPM warning notifications if triggered unless one Member maintains exclusive control of all orders for all MPIDs in the group.

If an MPID that has triggered multiple RPM metrics that have different group owners, all group owners that have that protected MPID in a triggered group must contact MIAX Trading Operations to request reset of triggered RPM metrics.

How MIAX RPM Works

MIAX Trading Operations will provide Members an RPM workbook to create groups, designate group owners, and define each group's RPM metrics. Upon completion, the Member returns the RPM workbook to MIAX Trading Operations, which uploads the Member's RPM settings into the System.

Counting Program

The System maintains a counting program that counts every order entered and executed contracts from orders by a given group within its specified time period. These metrics determine whether the activity triggers a group's RPM protections.

The counting program includes all order types. However, certain order types—although counted—will not be canceled should RPM be triggered. RPM does not cancel existing PRIME™, AOC, OPG, QCC, and GTC orders; moreover, PRIME, QCC, and GTC orders remain available for trading and AOC, OPG, and GTCs may be cancelled or replaced.

Triggers

When triggered, RPM can take one of the following actions:

- RPM prevents the System from accepting new orders
  * If the group owner submits a cancel/replace on an open order, the existing order will be cancelled and the replace message will be rejected
- RPM mass-cancels all open Day orders and prevents the System from accepting new orders
- RPM publishes a warning message only

Notifications

RPM publishes status and warning notifications over FIX and CTD. A status notification, published once per minute, is unsolicited and reports the high watermark for the period per group/metric combination. A warning notification alerts the Member when its group/metric combination reaches 70%, 90%, and/or 100% of its threshold. Members may elect to receive a warning notification when RPM is triggered instead of the System preventing new orders or cancelling existing orders

Notifications are optional messages and are not required to use RPM.

If a Member would like to consume notifications, please visit our web site for the specifications: www.miaxoptions.com/interface-specifications

At the request of a Member or in order to maintain a fair and orderly market, MIAX Trading Operations may pause and restart the specified timer period used by the counting program or clear and reset any calculated allowable order rate or allowable contract execution rate.

For more information on RPM or to arrange interface testing, please email the MIAX Trading Operations team at tradingoptions@miaxoptions.com or call (609) 897–7302.