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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-84591; File No. SR-PEARL-2018-22)

November 14, 2018

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the MIAX PEARL Fee Schedule

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 October 31, 2018, MIAX PEARL, LLC (“MIAX PEARL” 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 the MIAX PEARL Fee Schedule (the “Fee Schedule”).

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/pearl> at MIAX PEARL’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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend the Add/Remove Tiered Rebates/Fees set forth in Section 1)a) of the Fee Schedule to decrease the "Taker" fee in Tiers 1-3 assessable to Priority Customers³ orders for options transactions in Non-Penny classes.

The Exchange currently assesses transaction rebates and fees to all market participants which are based upon the total monthly volume executed by the Member⁴ on MIAX PEARL in the relevant, respective origin type (not including Excluded Contracts)⁵ expressed as a percentage of TCV.⁶ In addition, the per contract transaction rebates and fees are applied

³ "Priority Customer" means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100, including Interpretations and Policies .01.

⁴ "Member" means an individual or organization that is registered with the Exchange pursuant to Chapter II of the Exchange Rules for purposes of trading on the Exchange as an "Electronic Exchange Member" or "Market Maker." Members are deemed "members" under the Exchange Act. See the Definitions Section of the Fee Schedule and Exchange Rule 100.

⁵ "Excluded Contracts" means any contracts routed to an away market for execution. See the Definitions Section of the Fee Schedule.

⁶ "TCV" means total consolidated volume calculated as the total national volume in those classes listed on MIAX PEARL for the month for which the fees apply, excluding consolidated volume executed during the period time in which the Exchange experiences an "Exchange System Disruption" (solely in the option classes of the affected Matching Engine (as defined below)). The term Exchange System Disruption, which is defined in the Definitions section of the Fee Schedule, means an outage of a Matching Engine or collective Matching Engines for a period of two consecutive hours or more, during trading hours. The term Matching Engine, which is also defined in the Definitions section of the Fee Schedule, is a part of the MIAX PEARL electronic system that processes options orders and trades on a symbol-by-symbol basis. Some Matching

retroactively to all eligible volume for that origin type once the respective threshold tier (“Tier”) has been reached by the Member. The Exchange aggregates the volume of Members and their Affiliates.⁷ Members that place resting liquidity, i.e., orders resting on the book of the MIAX PEARL System,⁸ are paid the specified “maker” rebate (each a “Maker”), and Members that execute against resting liquidity are assessed the specified “taker” fee (each a “Taker”). For opening transactions and ABBO uncrossing transactions, per contract transaction rebates and fees are waived for all market participants. Finally, Members are assessed lower transaction fees and receive lower rebates for order executions in standard option classes in the Penny Pilot Program⁹ (“Penny classes”) than for order executions in standard option classes which are not in the Penny Pilot Program (“Non-Penny classes”), where Members are assessed higher transaction

Engines will process option classes with multiple root symbols, and other Matching Engines may be dedicated to one single option root symbol (for example, options on SPY may 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. The Exchange believes that it is reasonable and appropriate to select two consecutive hours as the amount of time necessary to constitute an Exchange System Disruption, as two hours equates to approximately 1.4% of available trading time per month. The Exchange notes that the term “Exchange System Disruption” and its meaning have no applicability outside of the Fee Schedule, as it is used solely for purposes of calculating volume for the threshold tiers in the Fee Schedule. See the Definitions Section of the Fee Schedule.

⁷ “Affiliate” means (i) an affiliate of a Member of at least 75% common ownership between the firms as reflected on each firm’s Form BD, Schedule A, or (ii) the Appointed Market Maker of an Appointed EEM (or, conversely, the Appointed EEM of an Appointed Market Maker). An “Appointed Market Maker” is a MIAX PEARL Market Maker (who does not otherwise have a corporate affiliation based upon common ownership with an EEM) that has been appointed by an EEM and an “Appointed EEM” is an EEM (who does not otherwise have a corporate affiliation based upon common ownership with a MIAX PEARL Market Maker) that has been appointed by a MIAX PEARL Market Maker, pursuant to the process described in the Fee Schedule. See the Definitions Section of the Fee Schedule.

⁸ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁹ See Securities Exchange Act Release No. 79778 (January 12, 2017), 82 FR 6662 (January 19, 2017) (SR-PEARL-2016-01).

fees and receive higher rebates. Transaction rebates and fees in Section 1)a) of the Fee Schedule are currently assessed for Priority Customer orders according to the following table:

			Per Contract Rebates/Fees for Penny Classes				Per Contract Rebates/Fees for Non-Penny Classes	
Origin	Tier	Volume Criteria	Maker	Taker*	SPY Taker	QQQ, IWM, VXX Taker	Maker	Taker
Priority Customer	1	0.00% - 0.10%	(\$0.25)	\$0.48	\$0.43	\$0.47	(\$0.85)	\$0.87
	2	Above 0.10% - 0.35%	(\$0.40)	\$0.46	\$0.43	\$0.46	(\$0.95)	\$0.86
	3	Above 0.35% - 0.50%	(\$0.45)	\$0.44	\$0.42	\$0.44	(\$1.00)	\$0.85
	4	Above 0.50% - 0.75%	(\$0.52)	\$0.44	\$0.41	\$0.43	(\$1.03)	\$0.84
	5	Above 0.75% - 1.25%	(\$0.53)	\$0.44	\$0.40	\$0.42	(\$1.04)	\$0.84
	6	Above 1.25%	(\$0.53)	\$0.43	\$0.38	\$0.40	(\$1.04)	\$0.84

* For all Penny Classes other than SPY, QQQ, IWM, and VXX.

The Exchange proposes to decrease the Taker fee for Priority Customer orders for options in Non-Penny classes in Tier 1 from \$0.87 to \$0.84, in Tier 2 from \$0.86 to \$0.84 and in Tier 3 from \$0.85 to \$0.84. The purpose of decreasing the specified Taker fees for Priority Customer orders for options in Non-Penny classes is for business and competitive reasons to attract greater Priority Customer order flow to the Exchange. The Exchange believes that reducing the Taker fees for Priority Customer orders for options in Non-Penny classes in Tiers 1-3 to a \$0.84 per contract fee, will incentivize Members to send greater Priority Customer order flow to the Exchange due to favorable pricing for this liquidity type.

With all proposed changes, Section 1)a) of the Fee Schedule for Priority Customer orders shall be the following:

			Per Contract Rebates/Fees for Penny Classes				Per Contract Rebates/Fees for Non-Penny Classes	
Origin	Tier	Volume Criteria	Maker	Taker*	SPY Taker	QQQ, IWM, VXX Taker	Maker	Taker
Priority Customer	1	0.00% - 0.10%	(\$0.25)	\$0.48	\$0.43	\$0.47	(\$0.85)	\$0.84
	2	Above 0.10% - 0.35%	(\$0.40)	\$0.46	\$0.43	\$0.46	(\$0.95)	\$0.84
	3	Above 0.35% - 0.50%	(\$0.45)	\$0.44	\$0.42	\$0.44	(\$1.00)	\$0.84
	4	Above 0.50% - 0.75%	(\$0.52)	\$0.44	\$0.41	\$0.43	(\$1.03)	\$0.84
	5	Above 0.75% - 1.25%	(\$0.53)	\$0.44	\$0.40	\$0.42	(\$1.04)	\$0.84
	6	Above 1.25%	(\$0.53)	\$0.43	\$0.38	\$0.40	(\$1.04)	\$0.84

* For all Penny Classes other than SPY, QQQ, IWM, and VXX.

The proposed change is scheduled to become operative November 1, 2018.

2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act¹⁰ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹¹ in that it is an equitable allocation of reasonable dues, fees and other charges among Exchange members and issuers and other persons using its facilities, and 6(b)(5) of the Act,¹² 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 facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4).

¹² 15 U.S.C. 78f(b)(1) and (b)(5).

open market and a national market system and, in general, to protect investors and the public interest.

The proposed Taker fee decrease for Priority Customer orders for options in Non-Penny classes in Tiers 1-3 is reasonable, equitable, and not unfairly discriminatory, because all Priority Customer orders are subject to the same Taker fees and access to the Exchange is offered on terms that are not unfairly discriminatory. The Exchange initially set its Taker fees at the various volume levels based upon business determinations and an analysis of current Taker fees and volume levels at other exchanges. For competitive and business reasons, the Exchange believes that lower Taker fees assessable to Priority Customer transactions in Non-Penny classes in Tiers 1-3 will encourage Members to execute more volume in Non-Penny classes on behalf of Priority Customers since they will be assessed reduced fees. The Exchange believes for these reasons that offering the reduced Taker fees for Priority Customer transactions in Non-Penny classes in Tiers 1-3 is equitable, reasonable and not unfairly discriminatory, and thus consistent with the Act.

The Exchange believes that its proposal to reduce Taker fees assessable to transactions in options in Non-Penny classes and not to reduce Taker fees for transactions in options in Penny classes is consistent with other options markets that also assess different transaction fees for options in Non-Penny classes as compared to Penny classes. The Exchange believes that establishing different pricing for options in Non-Penny classes and Penny classes is reasonable, equitable, and not unfairly discriminatory because options in Penny classes are generally more

liquid as compared to Non-Penny classes. Additionally, other competing options exchanges differentiate pricing in a similar manner today.¹³

Further, the Exchange believes that it is equitable and not unfairly discriminatory to assess lower fees to Priority Customer orders than to orders from origin types that are not Priority Customer. A Priority Customer is by definition not a broker or dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). This limitation does not apply to participants on the Exchange whose behavior is substantially similar to that of market professionals, including non-Priority Customers, MIAX PEARL Market Makers, Firms, and Broker-Dealers, who will generally submit a higher number of orders (many of which do not result in executions) than Priority Customers.

Furthermore, the proposed decrease to the Taker fees in Non-Penny classes for Priority Customer transactions in Tiers 1-3 promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in facilitating transactions in securities, and protects investors and the public interest because the proposed decrease in the fees will encourage Members to send more orders to the Exchange even if it is an order which takes liquidity since they will be assessed a reduced Taker fee in Tiers 1-3. To the extent that Priority Customer order flow in Non-Penny classes is increased by the proposal, market participants will increasingly compete for the opportunity to trade on the Exchange, including sending more orders which will have the potential to be assessed lower fees and higher rebates. The resulting increased volume and liquidity will benefit all Exchange participants by providing more trading opportunities and tighter spreads.

¹³ See Nasdaq PHLX LLC Pricing Schedule, Section II; NYSE American Options Fee Schedule, Section I; Cboe Exchange, Inc., Fee Schedule, p. 1.

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

MIAX PEARL does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed Taker fee decreases are intended to encourage liquidity. The proposed Taker fees should enable the Exchange to attract and compete for order flow with other exchanges which do assess higher Taker fees, thereby adding liquidity.¹⁴

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its rebates and fees to remain competitive with other exchanges and to attract order flow. The Exchange believes that the proposed rule change reflects this competitive environment because it modifies the Exchange's fees in a manner that encourages market participants to continue to provide liquidity and to send order flow to the Exchange.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁵ and Rule 19b-4(f)(2)¹⁶ 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

¹⁴ See Nasdaq Stock Market LLC, Chapter XV Options Pricing, Sec. 2; Cboe C2 Exchange, Inc., Fees Schedule, p. 1.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 17 CFR 240.19b-4(f)(2).

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. Please include File Number SR-PEARL-2018-22 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-PEARL-2018-22. 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 website (<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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-PEARL-2018-22 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.¹⁷

Eduardo A. Aleman
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).

