Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 28

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

File No.* SR - 2017 - * 12

Amendment No. (req. for Amendments *)

Filing by MIAX PEARL, 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) *
☑	☐	☐	☐	☑	☐

Rule

Pilot	Extension of Time Period for Commission Action *	Date Expires *		
☐	☐		19b-4(f)(1) ☐	19b-4(f)(4) ☐
			19b-4(f)(2) ☐	19b-4(f)(5) ☐
			19b-4(f)(3) ☐	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) *	Section 3C(b)(2) *
☐	☐	☐

Exhibit 2 Sent As Paper Document
▣

Exhibit 3 Sent As Paper Document
▣

Description

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

Proposal to Amend Exchange Rule 517A (Aggregate Risk Manager for EEMs) and Rule 517B (Aggregate Risk Manager for Market Makers).

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 * Richard   Last Name * Rudolph

Title * Vice President and Senior Counsel

E-mail * rrudolph@miami-holdings.com

Telephone * (609) 897-1484   Fax

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 03/06/2017

By Joseph Ferraro

(Name *)

SVP, Associate General Counsel

jferraro@miami-holdings.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 *

[Add] [Remove] [View]

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 *

[Add] [Remove] [View]

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 *

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

1.   Text of the Proposed Rule Change

(a) MIAX PEARL, LLC ("MIAX PEARL" or the "Exchange"), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] proposes to amend Exchange Rules Rule 517A, Aggregate Risk Manager for EEMs ("ARM-E"), and 517B, Aggregate Risk Manager for Market Makers ("ARM-M").

Notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2.   Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX PEARL 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 Richard S. Rudolph, Vice President and Senior Counsel, at (609) 897-1484.

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[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 amend Exchange Rules 517A, ARM-E, and 517B, ARM-M by adopting and adding proposed Interpretations and Policies .01 to Rule 517A to state that the MIAX PEARL System[3] does not include in a specific Electronic Exchange Member's ("EEM")[4] EEM Counting Program (described below) contracts executed as a result of an immediate-or-cancel ("IOC") order[5] submitted by such EEM, and to adopt and add Interpretations and Policies .02 to Rule 517B, stating that the System does not include in a specific Market Maker's"[6] MM Counting Program (described below) contracts executed as a result of an immediate-or-cancel ("IOC") order submitted by such MM.

ARM-E

ARM-E protects MIAX PEARL EEMs and assists them in managing risk by maintaining a counting program ("EEM Counting Program") for each participating EEM who has submitted

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

[4]   The term "Electronic Exchange Member" or "EEM" means the holder of a Trading Permit who is a Member representing as agent Public Customer Orders or Non-Customer Orders on the Exchange and those non-Market Maker Members conducting proprietary trading. Electronic Exchange Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

[5]   An IOC order is an order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. An IOC order is not valid during the Opening Process described in Rule 503. See Exchange Rule 516(e).

[6]   The term "Market Maker" or "MM" means a Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of these Rules. See Exchange Rule 100.

an order in an EEM Specified Option Class[7] using a specified market participant identifier

("MPID")[8] of the EEM and delivered via the MEO Interface[9] as described herein (an "EEM

ARM Eligible Order"). The EEM Counting Program counts the number of contracts executed by

an EEM from an EEM ARM Eligible Order (the "EEM ARM Contracts") within a specified time

period that has been established by the EEM (the "EEM Specified Time Period"). The EEM

Specified Time Period cannot exceed 15 seconds.

The EEM may also establish for each EEM Specified Option Class an EEM Allowable

Engagement Percentage (the "Allowable Engagement Percentage"), which is a number of

contracts, divided by the size of the orders, executed within the Specified Time Period, equal to

or over which the ARM-E will be triggered. When an execution of an EEM ARM Contract from

an EEM ARM Eligible Order occurs, the System will look back over the EEM Specified Time

Period to determine whether the sum of contract executions from such EEM ARM Eligible Order

during such EEM Specified Time Period triggers the ARM-E.

The System will engage ARM-E in a particular EEM Specified Option Class when the

EEM Counting Program has determined that an EEM has executed during the EEM Specified

Time Period a number of EEM ARM Contracts from an EEM ARM Eligible Order equal to or

above their EEM Allowable Engagement Percentage. ARM-E will then, until the EEM sends a

notification to the System of the intent to reengage and submits a new order in the EEM

Specified Option Class: (i) automatically cancel the EEM ARM Eligible Orders in all series of

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[7]   An "EEM Specified Option Class" is a class which the EEM has designated as a class
        to be protected via ARM-E. See Exchange Rule 517A(a).

[8]   The term "MPID" means unique market participant identifier. See Exchange Rule 100.

[9]   The term "MEO Interface" means a binary order interface for certain order types as set
        forth in Rule 516 into the MIAX PEARL System. See Exchange Rule 100.

that particular EEM Specified Option Class and (ii) reject new orders by the EEM in all series of that particular EEM Specified Option Class submitted using the MEO Interface

ARM-M

ARM-M protects MIAX PEARL Market Makers and assists them in managing risk by maintaining a counting program ("MM Counting Program") for each Market Maker who has submitted an order in an option class (an "MM Option Class") delivered via the MEO Interface (an "MM ARM Eligible Order"). The MM Counting Program counts the number of contracts executed by a Market Maker from an MM ARM Eligible Order (the "MM ARM Contracts") within a specified time period that has been established by the Market Maker or as a default setting, as defined below (the "MM Specified Time Period"). The MM Specified Time Period cannot exceed 15 seconds whether established by the Market Maker or as a default setting as described below.

The Market Maker may also establish for each MM Option Class an MM Allowable Engagement Percentage. Unlike ARM-E, under which there is no default setting, the Exchange will establish a default MM Specified Time Period and a default Allowable Engagement Percentage ("default settings") on behalf of a Market Maker that has not established an MM Specified Time Period and/or an MM Allowable Engagement Percentage. The default MM Allowable Engagement Percentage shall not be less than 100%. The default settings will be determined by the Exchange on an Exchange-wide basis and announced to Members via Regulatory Circular. When an execution of an MM ARM Contract from an MM ARM Eligible Order occurs, the System will look back over the MM Specified Time Period to determine whether the sum of contract executions from such MM ARM Eligible Order during such MM Specified Time Period triggers the ARM-M.

The System will engage ARM-M in a particular MM Option Class when the MM Counting Program has determined that a Market Maker has executed during the MM Specified Time Period a number of MM ARM Contracts from an MM ARM Eligible Order equal to or above their MM Allowable Engagement Percentage. ARM-M will then, until the Market Maker sends a notification to the System of the intent to reengage and submits a new order in the MM Option Class: (i) automatically cancel the MM ARM Eligible Orders in all series of that particular MM Option Class and (ii) reject new orders by the Market Maker in all series of that particular MM Option Class submitted using the MEO Interface.

The Proposal

The Exchange is proposing to adopt and add Interpretations and Policies .01 to Rule 517A, to state that the System will not include in a specific EEM's EEM Counting Program contracts executed as a result of an IOC order submitted by such EEM.

In a parallel proposal, the Exchange is also proposing to adopt and add Interpretations and Policies .02 to Rule 517B, to state that the System will not include in a specific Market Maker's MM Counting Program contracts executed as a result of an IOC submitted by such Market Maker.

ARM-E and ARM-M are designed to assist MIAX PEARL EEMs and Market Makers in managing their risk associated with liquidity they send to the Exchange. Thus, the EEM and MM Counting Programs will include all contracts executed from orders, other than those orders designated as IOC, whether the EEM or MM is acting as maker or taker, in the calculation of the Allowable Engagement Percentage applicable to the affected EEM Specified Option Class or Market Maker in the MM Option Class.

If, however, the same EEM or Market Maker submits an IOC order in the EEM Specified

Option Class or MM Option Class that is executed against another order resting on the MIAX

PEARL Book, the number of contracts executed from such IOC order would not be included in

the calculation of the submitting EEM or Market Maker's Allowable Engagement Percentage in

the EEM Specified Option Class or MM Option Class, as applicable.   In such a situation, the

affected EEM or Market Maker is not at any undue or unintended risk caused by the EEM or

Market Maker's submission of the IOC order.

The number of contracts executed from an order resting on the Book, is, however,

included in the calculation of the Allowable Engagement Percentage applicable to the EEM or

Market Maker that submitted that order. A resting order is subject to the risk of exposure that

ARM-E and ARM-M are designed to mitigate. Therefore the Exchange believes that it is

reasonable to include contracts executed from a resting order, which has a longer time-in-force

than an IOC order and is thus a greater risk than an IOC order submitted for execution against it.

Additionally, in the case of a partial execution, the remaining contracts in a resting order are still

at market risk, while remaining contracts from the partial execution of an IOC order are

cancelled if not executed, thus obviating the need for ARM-E or ARM-M protection.

Conversely, in the Exchange's experience, an IOC order is an order that is designed to target

specific, identifiable liquidity resting on the Book that the entering Member desires to trade with

(remove), and thus the Member entering the IOC order does not require the risk management

protection of the ARM, as the Member entering the IOC order made an affirmative decision to

attempt to executed that transaction.

The Exchange therefore believes that the inclusion of the number of contracts executed

by way of an IOC order submitted by an EEM or Market Maker would unnecessarily and

artificially inflate the calculation of the Allowable Engagement Percentage, and thus ARM-E or

ARM-M could serve to preclude or prevent the further execution of contracts from orders resting

on the MIAX PEARL Book (for which ARM-E or ARM-M has been triggered unnecessarily by

an IOC order they submitted) that were submitted by the affected EEM or Market Maker and

otherwise remain intended for execution.

The purpose of the proposed rule change is to enable individual EEMs and Market

Makers to enhance their risk management for an individual option class or for multiple classes as

market conditions warrant, based on their own risk tolerance level and order submission or

quoting behavior. EEMs and Market Makers will be able to more precisely customize their risk

management within the MIAX PEARL System through the use of IOC orders without triggering

ARM-E or ARM-M before their actual risk tolerance levels relating to the number of contracts

executed within a specified time period have been reached. The proposed rule change will

provide greater ability for EEMs and Market Makers to adapt more exact and precise risk

controls based on the EEM or Market Maker's risk tolerance levels.

The Exchange notes that the proposed rule is similar to a rule that is currently operative

on MIAX Options ("MIAX Options"). Specifically, Interpretations and Policies .01 to MIAX

Options Rule 612, Aggregate Risk Manager, states that the System does not include contracts

traded through the use of an eQuote[10] that is not a Day eQuote[11] in the counting program for

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10   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 MIAX Options Rule 517(a)(2).

11   A Day eQuote is a quote submitted by a Market Maker that does not automatically cancel
      or replace the Market Maker's previous Standard quote or eQuote. Day eQuotes will
      expire at the close of trading each trading day. The Exchange reserves the right to limit
      the number of Day eQuotes that a single Market Maker may place on the same side of an

purposes of this Rule. eQuotes will remain in the System available for trading when the

Aggregate Risk Manager is engaged.

The inclusion of the number of contracts executed by way of an IOC order, which is

substantially similar to an IOC eQuote with respect to its time-in-force, would unnecessarily and

artificially inflate the calculation of the Allowable Engagement Percentage in ARM-E and ARM-

M in the same manner in which an IOC eQuote affects the ARM calculation on MIAX Options.

This is a similar rationale for the instant proposal to exclude IOC orders on MIAX PEARL from

the calculation of the Allowable Engagement Percentage in ARM-E and ARM-M.

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.

b.   Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act[12]

in general, and furthers the objectives of Section 6(b)(5) of the Act[13] 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,

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individual option. The same limit will apply to all types of Market Makers. If the
Exchange determines to establish a limit, it will be no more ten Day eQuotes on the same
side of an individual option. The Exchange will publish the limit through the issuance of
a Regulatory Circular. See MIAX Options Rule 517(a)(2)(i).

[12]   15 U.S.C. 78f(b).

[13]   15 U.S.C. 78f(b)(5).

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.

Significantly, the proposed rule change 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 because it enhances a risk management tool that is currently

available to MIAX PEARL EEMs and Market Makers. The exclusion of contracts executed

from IOC orders submitted by an EEM or Market Maker from the calculation of their Allowable

Engagement Percentage will enable MIAX PEARL EEMs and Market Makers to more

efficiently tailor the risk management tools provided by the Exchange by ensuring them that

contracts executed from orders that are not part of their risk management strategy will not

artificially inflate their Allowable Engagement Percentage. This tailored approach further

protects investors and the public interest by enabling the maximum number of contracts in an

EEM Specified Option Class or an MM Option Class to be executed without unnecessary

interruption, all within the EEM or Market Maker's risk tolerance level based upon the actual

Allowable Engagement Percentage.

As stated above, the proposed exclusion of IOC orders from the calculation of the

Allowable Engagement Percentage is substantially similar to the exclusion of IOC eQuotes from

that calculation in the MIAX Options ARM protection feature.[14]

The exclusion of the number of contracts executed by way of IOC orders from the

calculation of the Allowable Engagement Percentage also serves to remove impediments to and

perfect the mechanisms of a free and open market and a national market system by enhancing

EEMs' and Market Makers' confidence in the Exchange's ability to assist them in the accurate

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[14]   See MIAX Options Rule 612.01.

measuring of their management of risk, which may result in deeper liquidity on the Exchange's

Book, serving to benefit and protect investors and the public interest.

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.

On the contrary, the Exchange believes that the proposed rule change will foster

competition by providing Exchange EEMs and Market Makers with the ability to enhance and

specifically customize their use of the Exchange's risk management tools in order to compete for

executions and order flow.

As to inter-market competition, the Exchange believes that the proposed rule change

should promote competition because it is designed to provide Exchange EEMs and Market

Makers with accuracy and flexibility to modify their risk exposure in order to protect them from

unusual market conditions or events that may increase their exposure in the market.

For all the reasons stated, the Exchange 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, and believes the proposed change will in fact enhance competition.

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

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

Not applicable.

7.   Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A) of the Act[15] and Rule 19b-4(f)(6)[16] 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 Exchange does not believe the proposed rule change raises any novel or unique regulatory or substantive issues, and instead believes that the proposed rule change simply enhances the existing ARM-E and ARM-M risk management tools by allowing Exchange EEMs and Market Makers more precision in their risk control settings according to market conditions present. It is indeed non-controversial because all participants in the MIAX PEARL marketplace, and the marketplace as a whole, would benefit from a higher level of liquidity posted on the Exchange. It raises no new regulatory issues. Moreover, as stated above, the proposed exclusion of IOC orders from the calculation of the Allowable Engagement Percentage is substantially similar to features and rules currently operative on MIAX Options.[17]

Accordingly, for the reasons stated above, the Exchange believes that the proposed rule change is non-controversial and is therefore eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

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[15]   15 U.S.C. 78s(b)(3)(A).

[16]   17 CFR 240.19b-4(f)(6).

[17]   See supra note 14.

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.

MIAX has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to

Rule 19b-4(f)(6) under the Act[18] normally does not become operative for 30 days after the date

of its filing.

At any time within 60 days of the filing of the proposed rule change, the Commission

summarily may temporarily suspend such rule change if it appears to the Commission that such

action is necessary or appropriate in the public interest, for the protection of investors, or

otherwise in furtherance of the purposes of the Act.

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

The proposed rule is based substantially on MIAX Options Rule 612.01, which excludes

contracts traded through eQuotes from its Aggregate Risk Manager counting program. The

Exchange notes, however, that, Day eQuotes (one particular type of eQuote) do participate in the

MIAX Options Aggregate Risk Manager, while all other types of eQuotes available on MIAX

Options do not participate. eQuotes remain in the MIAX Options system available for trading

when its Aggregate Risk Manager is engaged.

MIAX Options Rule 517(a)(2) lists six types of eQuotes available for trading on MIAX

Options.[19] One such type of eQuote is an intermarket sweep eQuote,[20] which may be designated

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[18]   17 CFR 240.19b-4(f)(6).

[19]   For a list and description of the six types of eQuotes available on MIAX Options, see
         MIAX Options Rule 517(a)(2)(i)-(vi).

[20]   A Market Maker may submit an intermarket sweep eQuote to the Exchange only if it has

as immediate-or-cancel. An intermarket sweep eQuote may only, however, be submitted to the

Exchange if the submitting Market Maker has simultaneously routed one or more Intermarket

Sweep Orders ("ISOs") to execute against the full displayed size on another exchange. Although

an intermarket sweep order may appear on its surface to function in the same manner as an IOC

order, because of the simultaneous ISO routing requirement, MIAX Options does not include

contracts executed through the use of an intermarket sweep eQuote in the calculation of the

Allowable Engagement Percentage. MIAX PEARL is only proposing to exclude IOC orders

from its ARM counting programs.

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.

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simultaneously routed one or more Intermarket Sweep Orders to execute against the full
displayed size of any Protected Bid (as defined in Rule 1400(o)), in the case of an
intermarket sweep offer to sell, or Protected Offer (as defined in Rule 1400(o)), in the
case of an intermarket sweep bid to buy, an option with a price that is superior to the
intermarket sweep eQuote. Intermarket sweep eQuotes that are not designated as
immediate or cancel will be cancelled by the System if not executed upon receipt.
Intermarket sweep eQuotes do not automatically cancel or replace the Market Maker's
previous Standard quote or eQuote. An intermarket sweep eQuote is not valid during the
opening rotation process described in Rule 503. See MIAX Options Rule 517(a)(2)(vi).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-PEARL-2017-12)

March__, 2017

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC to Amend MIAX PEARL Rules 517A, Aggregate Risk Manager for EEMs("ARM-E"), and 517B, Aggregate Risk Manager for Market Makers ("ARM-M")

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 March 6, 2017, MIAX

PEARL, LLC ("MIAX PEARL" or "Exchange") filed with the Securities and Exchange

Commission ("Commission") a proposed rule change ") 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.   <u>Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change</u>

The Exchange is filing a proposal to amend Exchange Rules Rule 517A, Aggregate Risk

Manager for EEMs ("ARM-E"), and 517B, Aggregate Risk Manager for Market Makers

("ARM-M").

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.

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

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 amend Exchange Rules 517A, ARM-E, and 517B, ARM-M

by adopting and adding proposed Interpretations and Policies .01 to Rule 517A to state that the

MIAX PEARL System[3] does not include in a specific Electronic Exchange Member's ("EEM")[4]

EEM Counting Program (described below) contracts executed as a result of an immediate-or-

cancel ("IOC") order[5] submitted by such EEM, and to adopt and add Interpretations and Policies

.02 to Rule 517B, stating that the System does not include in a specific Market Maker's"[6] MM

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

[4]   The term "Electronic Exchange Member" or "EEM" means the holder of a Trading Permit who is a Member representing as agent Public Customer Orders or Non-Customer Orders on the Exchange and those non-Market Maker Members conducting proprietary trading. Electronic Exchange Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

[5]   An IOC order is an order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. An IOC order is not valid during the Opening Process described in Rule 503. See Exchange Rule 516(e).

[6]   The term "Market Maker" or "MM" means a Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of these Rules. See Exchange Rule 100.

Counting Program (described below) contracts executed as a result of an immediate-or-cancel ("IOC") order submitted by such MM.

ARM-E

ARM-E protects MIAX PEARL EEMs and assists them in managing risk by maintaining a counting program ("EEM Counting Program") for each participating EEM who has submitted an order in an EEM Specified Option Class[7] using a specified market participant identifier ("MPID")[8] of the EEM and delivered via the MEO Interface[9] as described herein (an "EEM ARM Eligible Order"). The EEM Counting Program counts the number of contracts executed by an EEM from an EEM ARM Eligible Order (the "EEM ARM Contracts") within a specified time period that has been established by the EEM (the "EEM Specified Time Period"). The EEM Specified Time Period cannot exceed 15 seconds.

The EEM may also establish for each EEM Specified Option Class an EEM Allowable Engagement Percentage (the "Allowable Engagement Percentage"), which is a number of contracts, divided by the size of the orders, executed within the Specified Time Period, equal to or over which the ARM-E will be triggered. When an execution of an EEM ARM Contract from an EEM ARM Eligible Order occurs, the System will look back over the EEM Specified Time Period to determine whether the sum of contract executions from such EEM ARM Eligible Order during such EEM Specified Time Period triggers the ARM-E.

The System will engage ARM-E in a particular EEM Specified Option Class when the EEM Counting Program has determined that an EEM has executed during the EEM Specified Time Period a number of EEM ARM Contracts from an EEM ARM Eligible Order equal to or

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[7]   An "EEM Specified Option Class" is a class which the EEM has designated as a class to be protected via ARM-E. See Exchange Rule 517A(a).

[8]   The term "MPID" means unique market participant identifier. See Exchange Rule 100.

[9]   The term "MEO Interface" means a binary order interface for certain order types as set forth in Rule 516 into the MIAX PEARL System. See Exchange Rule 100.

above their EEM Allowable Engagement Percentage. ARM-E will then, until the EEM sends a notification to the System of the intent to reengage and submits a new order in the EEM Specified Option Class: (i) automatically cancel the EEM ARM Eligible Orders in all series of that particular EEM Specified Option Class and (ii) reject new orders by the EEM in all series of that particular EEM Specified Option Class submitted using the MEO Interface

ARM-M

ARM-M protects MIAX PEARL Market Makers and assists them in managing risk by maintaining a counting program ("MM Counting Program") for each Market Maker who has submitted an order in an option class (an "MM Option Class") delivered via the MEO Interface (an "MM ARM Eligible Order"). The MM Counting Program counts the number of contracts executed by a Market Maker from an MM ARM Eligible Order (the "MM ARM Contracts") within a specified time period that has been established by the Market Maker or as a default setting, as defined below (the "MM Specified Time Period"). The MM Specified Time Period cannot exceed 15 seconds whether established by the Market Maker or as a default setting as described below.

The Market Maker may also establish for each MM Option Class an MM Allowable Engagement Percentage. Unlike ARM-E, under which there is no default setting, the Exchange will establish a default MM Specified Time Period and a default Allowable Engagement Percentage ("default settings") on behalf of a Market Maker that has not established an MM Specified Time Period and/or an MM Allowable Engagement Percentage. The default MM Allowable Engagement Percentage shall not be less than 100%. The default settings will be determined by the Exchange on an Exchange-wide basis and announced to Members via Regulatory Circular. When an execution of an MM ARM Contract from an MM ARM Eligible Order occurs, the System will look back over the MM Specified Time Period to determine

whether the sum of contract executions from such MM ARM Eligible Order during such MM Specified Time Period triggers the ARM-M.

The System will engage ARM-M in a particular MM Option Class when the MM Counting Program has determined that a Market Maker has executed during the MM Specified Time Period a number of MM ARM Contracts from an MM ARM Eligible Order equal to or above their MM Allowable Engagement Percentage. ARM-M will then, until the Market Maker sends a notification to the System of the intent to reengage and submits a new order in the MM Option Class: (i) automatically cancel the MM ARM Eligible Orders in all series of that particular MM Option Class and (ii) reject new orders by the Market Maker in all series of that particular MM Option Class submitted using the MEO Interface.

<u>The Proposal</u>

The Exchange is proposing to adopt and add Interpretations and Policies .01 to Rule 517A, to state that the System will not include in a specific EEM's EEM Counting Program contracts executed as a result of an IOC order submitted by such EEM.

In a parallel proposal, the Exchange is also proposing to adopt and add Interpretations and Policies .02 to Rule 517B, to state that the System will not include in a specific Market Maker's MM Counting Program contracts executed as a result of an IOC submitted by such Market Maker.

ARM-E and ARM-M are designed to assist MIAX PEARL EEMs and Market Makers in managing their risk associated with liquidity they send to the Exchange. Thus, the EEM and MM Counting Programs will include all contracts executed from orders, other than those orders designated as IOC, whether the EEM or MM is acting as maker or taker, in the calculation of the Allowable Engagement Percentage applicable to the affected EEM Specified Option Class or Market Maker in the MM Option Class.

If, however, the same EEM or Market Maker submits an IOC order in the EEM Specified Option Class or MM Option Class that is executed against another order resting on the MIAX PEARL Book, the number of contracts executed from such IOC order would not be included in the calculation of the submitting EEM or Market Maker's Allowable Engagement Percentage in the EEM Specified Option Class or MM Option Class, as applicable.   In such a situation, the affected EEM or Market Maker is not at any undue or unintended risk caused by the EEM or Market Maker's submission of the IOC order.

The number of contracts executed from an order resting on the Book, is, however, included in the calculation of the Allowable Engagement Percentage applicable to the EEM or Market Maker that submitted that order. A resting order is subject to the risk of exposure that ARM-E and ARM-M are designed to mitigate. Therefore the Exchange believes that it is reasonable to include contracts executed from a resting order, which has a longer time-in-force than an IOC order and is thus a greater risk than an IOC order submitted for execution against it. Additionally, in the case of a partial execution, the remaining contracts in a resting order are still at market risk, while remaining contracts from the partial execution of an IOC order are cancelled if not executed, thus obviating the need for ARM-E or ARM-M protection. Conversely, in the Exchange's experience, an IOC order is an order that is designed to target specific, identifiable liquidity resting on the Book that the entering Member desires to trade with (remove), and thus the Member entering the IOC order does not require the risk management protection of the ARM, as the Member entering the IOC order made an affirmative decision to attempt to executed that transaction.

The Exchange therefore believes that the inclusion of the number of contracts executed by way of an IOC order submitted by an EEM or Market Maker would unnecessarily and artificially inflate the calculation of the Allowable Engagement Percentage, and thus ARM-E or

ARM-M could serve to preclude or prevent the further execution of contracts from orders resting on the MIAX PEARL Book (for which ARM-E or ARM-M has been triggered unnecessarily by an IOC order they submitted) that were submitted by the affected EEM or Market Maker and otherwise remain intended for execution.

The purpose of the proposed rule change is to enable individual EEMs and Market Makers to enhance their risk management for an individual option class or for multiple classes as market conditions warrant, based on their own risk tolerance level and order submission or quoting behavior. EEMs and Market Makers will be able to more precisely customize their risk management within the MIAX PEARL System through the use of IOC orders without triggering ARM-E or ARM-M before their actual risk tolerance levels relating to the number of contracts executed within a specified time period have been reached. The proposed rule change will provide greater ability for EEMs and Market Makers to adapt more exact and precise risk controls based on the EEM or Market Maker's risk tolerance levels.

The Exchange notes that the proposed rule is similar to a rule that is currently operative on MIAX Options ("MIAX Options"). Specifically, Interpretations and Policies .01 to MIAX Options Rule 612, Aggregate Risk Manager, states that the System does not include contracts traded through the use of an eQuote[10] that is not a Day eQuote[11] in the counting program for

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[10] 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 MIAX Options Rule 517(a)(2).

[11] A Day eQuote is a quote submitted by a Market Maker that does not automatically cancel or replace the Market Maker's previous Standard quote or eQuote. Day eQuotes will expire at the close of trading each trading day. The Exchange reserves the right to limit the number of Day eQuotes that a single Market Maker may place on the same side of an individual option. The same limit will apply to all types of Market Makers. If the Exchange determines to establish a limit, it will be no more ten Day eQuotes on the same side of an individual option. The Exchange will publish the limit through the issuance of a Regulatory Circular. See MIAX Options Rule 517(a)(2)(i).

purposes of this Rule. eQuotes will remain in the System available for trading when the

Aggregate Risk Manager is engaged.

The inclusion of the number of contracts executed by way of an IOC order, which is

substantially similar to an IOC eQuote with respect to its time-in-force, would unnecessarily and

artificially inflate the calculation of the Allowable Engagement Percentage in ARM-E and ARM-

M in the same manner in which an IOC eQuote affects the ARM calculation on MIAX Options.

This is a similar rationale for the instant proposal to exclude IOC orders on MIAX PEARL from

the calculation of the Allowable Engagement Percentage in ARM-E and ARM-M.

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.

2.   Statutory Basis

MIAX PEARL believes that its proposed rule change is consistent with Section 6(b) of

the Act[12] in general, and furthers the objectives of Section 6(b)(5) of the Act[13] 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.

Significantly, the proposed rule change removes impediments to and perfects the

mechanisms of a free and open market and a national market system and, in general, protects

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[12]   15 U.S.C. 78f(b).

[13]   15 U.S.C. 78f(b)(5).

investors and the public interest because it enhances a risk management tool that is currently available to MIAX PEARL EEMs and Market Makers. The exclusion of contracts executed from IOC orders submitted by an EEM or Market Maker from the calculation of their Allowable Engagement Percentage will enable MIAX PEARL EEMs and Market Makers to more efficiently tailor the risk management tools provided by the Exchange by ensuring them that contracts executed from orders that are not part of their risk management strategy will not artificially inflate their Allowable Engagement Percentage. This tailored approach further protects investors and the public interest by enabling the maximum number of contracts in an EEM Specified Option Class or an MM Option Class to be executed without unnecessary interruption, all within the EEM or Market Maker's risk tolerance level based upon the actual Allowable Engagement Percentage.

As stated above, the proposed exclusion of IOC orders from the calculation of the Allowable Engagement Percentage is substantially similar to the exclusion of IOC eQuotes from that calculation in the MIAX Options ARM protection feature.[14]

The exclusion of the number of contracts executed by way of IOC orders from the calculation of the Allowable Engagement Percentage also serves to remove impediments to and perfect the mechanisms of a free and open market and a national market system by enhancing EEMs' and Market Makers' confidence in the Exchange's ability to assist them in the accurate measuring of their management of risk, which may result in deeper liquidity on the Exchange's Book, serving to benefit and protect investors and the public interest.

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.

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[14]   See MIAX Options Rule 612.01.

On the contrary, the Exchange believes that the proposed rule change will foster competition by providing Exchange EEMs and Market Makers with the ability to enhance and specifically customize their use of the Exchange's risk management tools in order to compete for executions and order flow.

As to inter-market competition, the Exchange believes that the proposed rule change should promote competition because it is designed to provide Exchange EEMs and Market Makers with accuracy and flexibility to modify their risk exposure in order to protect them from unusual market conditions or events that may increase their exposure in the market.

For all the reasons stated, the Exchange 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, and believes the proposed change will in fact enhance competition.

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

Written comments were neither solicited nor received.

III.   Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act[15] and Rule 19b-4(f)(6)[16] thereunder.

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[15]   15 U.S.C. 78s(b)(3)(A).

[16]   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.

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. Please include File Number SR-PEARL-2017-12 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.

All submissions should refer to File Number SR-PEARL-2017-12. 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-PEARL-2017-12 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]

Brent J. Fields
Secretary

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[17]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

MIAX PEARL, LLC Rules

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Rule 517A. Aggregate Risk Manager for EEMs ("ARM-E")

(a) – (d) No change.

Interpretations and Policies:

.01 The System does not include in a specific EEM's EEM Counting Program contracts executed as a result of an immediate-or-cancel ("IOC") order submitted by such EEM.

Rule 517B. Aggregate Risk Manager for Market Makers ("ARM-M")

(a) – (d) No change.

Interpretations and Policies:

.01 No change.

.02 The System does not include in a specific MM's MM Counting Program contracts executed as a result of an immediate-or-cancel ("IOC") order submitted by such MM.

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