

Required fields are shown with yellow backgrounds and asterisks.

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) *
<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 checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input 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 \*).

Proposal to Amend the MIAX PEARL Fee Schedule

**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 *
Joseph	Ferraro
Title *	
SVP, Associate General Counsel	
E-mail *	
jferraro@miami-holdings.com	
Telephone *	Fax
(609) 897-8492	

**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	SVP, Associate General Counsel
04/06/2017	
By	
Joseph Ferraro	
(Name *)	

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 EFFF 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) MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend the MIAX PEARL Fee Schedule (the “Fee Schedule”).

The Exchange initially filed the proposal on March 29, 2017 (SR-PEARL-2017-14). That filing was withdrawn and replaced with the current filing (SR-PEARL-2017-18).

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, a copy of the Volume Aggregation Request Form is attached hereto as Exhibit 3, and a copy of the applicable section of the MIAX PEARL Fee Schedule 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 senior management 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 Joseph W. Ferraro, Senior Vice President and Associate General Counsel, at 609-897-8492.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 its Fee Schedule to permit Exchange Market Makers<sup>3</sup> to appoint Electronic Exchange Members<sup>4</sup> (“EEMs”), and vice versa, as “Affiliates,” solely for purposes of calculating transaction volume in order to qualify for certain transaction rebate and fee incentives under the Fee Schedule. The Exchange notes that this concept of appointment between market makers and order flow providers currently exists at a number of other exchanges, including Bats BZX Exchange, Inc. (“BATS”), Bats EDGX Exchange, Inc. (“EDGX”), Chicago Board Options Exchange, Incorporated (“CBOE”), NYSE Amex Options LLC (“Amex Options”), and NASDAQ PHLX LLC (“PHLX”), as more fully discussed below.

In order for the Exchange to implement this concept of appointment, the Exchange proposes to amend the definition of “Affiliate” contained in the Definitions section of the Fee Schedule. The definition of “Affiliate” currently reads:

“Affiliate” means an affiliate of a Member of at least 75% common ownership between the firms as reflected on each firm’s Form BD, Schedule A.

The Exchange proposes to amend the definition so that it instead reads:

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<sup>3</sup> The term “Market Maker” 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 the Exchange’s Rules. See Exchange Rule 100.

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

“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 following process. A MIAX PEARL Market Maker appoints an EEM and an EEM appoints a MIAX PEARL Market Maker, for the purposes of the Fee Schedule, by each completing and sending an executed Volume Aggregation Request Form by email to [membership@miaxoptions.com](mailto:membership@miaxoptions.com) no later than 2 business days prior to the first business day of the month in which the designation is to become effective. Transmittal of a validly completed and executed form to the Exchange along with the Exchange’s acknowledgement of the effective designation to each of the Market Maker and EEM will be viewed as acceptance of the appointment. The Exchange will only recognize one designation per Member. A Member may make a designation not more than once every 12 months (from the date of its most recent designation), which designation shall remain in effect unless or until the Exchange receives written notice submitted 2 business days prior to the first business day of the month from either Member indicating that the appointment has been terminated. Designations will

become operative on the first business day of the effective month and may not be terminated prior to the end of the month. Execution data and reports will be provided to both parties.

The purpose of the proposed rule change is to increase opportunities for EEMs and Market Makers, who do not otherwise have a corporate affiliation based upon common ownership with a MIAX PEARL Market Maker or EEM, as the case may be, to potentially qualify for tiered pricing incentives on the Exchange. Specifically, the Exchange proposes to allow a MIAX PEARL Market Maker to designate an EEM as its “Appointed EEM” and for an EEM to designate a MIAX PEARL Market Maker as its “Appointed Market Maker” for purposes of Section 1)a) of the Fee Schedule. Members of the Exchange would effectuate such designation by completing and sending an executed Volume Aggregation Request Form by email to the Exchange no later than 2 business days prior to the first business day of the month in which the designation is to become effective.<sup>5</sup> As specified in the proposed Fee Schedule, the Exchange would view the transmittal of the validly completed and executed form along with the Exchange’s acknowledgement of the effective designation as acceptance of such an appointment.<sup>6</sup> The proposed new concepts would be applicable to all tiered pricing offered by the Exchange in Section 1)a) of the Fee Schedule, and are designed to increase opportunities for Members to qualify for such tiers.

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<sup>5</sup> Members should direct their executed forms to [membership@miaxoptions.com](mailto:membership@miaxoptions.com).

<sup>6</sup> The Exchange further notes that, as proposed, the Exchange would only recognize one such designation for each party once every 12 months (from the date of its most recent designation), which designation would remain in effect unless or until the Exchange receives written notice submitted 2 business days prior to the first business day of the month from either party indicating that the appointment has been terminated.

The Exchange currently offers tiers of rebates and fees as described in Section 1)a) of the Fee Schedule. Under the current tiers, Members that achieve certain volume criteria may qualify for reduced fees or enhanced rebates for various executions, including executions of Priority Customer<sup>7</sup> and Market Maker orders. In connection with such tiers, the Exchange calculates on a monthly basis a Member's volume in the applicable category (e.g., Priority Customer orders or Market Maker orders), as specified in the Fee Schedule for each applicable transaction.<sup>8</sup> For example, upon reaching a volume threshold that qualifies a Member for a specified tier under the Add/Remove Tiered Rebates/Fees scale, a Member receives the enhanced rebate or reduced fee associated with the tier achieved for each eligible contract executed within that tier on the Exchange.

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<sup>7</sup> The term "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 accounts(s).

<sup>8</sup> For example, under Section 1)a), volume thresholds are calculated based on the total monthly volume executed by the Member on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) TCV (as the denominator). The per contract transaction rebates and fees shall be applied retroactively to all eligible volume once the threshold has been reached by Member. The Exchange aggregates the volume of Members and their Affiliates in the Add/Remove Tiered Fees. "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). "Exchange System Disruption" means an outage of a Matching Engine or collective Matching Engines for a period of two consecutive hours or more, during trading hours. "Matching Engine" is a part of the MIAX PEARL electronic system that processes options orders and trades on a symbol-by-symbol basis. Some Matching 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. See the Definitions Section of the Fee Schedule.

Under the Exchange's current Fee Schedule, a Member is permitted to aggregate volume with a Member's "Affiliates", which are defined as firms that have at least 75% common ownership with the Member as reflected on each firm's Form BD, Schedule A.<sup>9</sup> Thus, Members that act as EEMs with affiliated broker-dealers that are Market Makers on the Exchange, and vice-versa, may be able to potentially qualify for certain pricing incentives offered by the Exchange based on such affiliation and aggregation.

The Exchange proposes that all MIAX PEARL Market Makers who do not otherwise have a corporate affiliation based upon common ownership with an EEM (whether in the same broker-dealer or in a separate broker-dealer) would be able to appoint an EEM to aggregate its volume for purposes of reaching tier thresholds under the Fee Schedule, and conversely, all EEMs who do not otherwise have a corporate affiliation based upon common ownership with a MIAX PEARL Market Maker (whether in the same broker-dealer or in a separate broker-dealer) could appoint a MIAX PEARL Market Maker for the same purposes. The proposal would be available to all MIAX PEARL Market Makers and EEMs, except for those MIAX PEARL Market Makers who otherwise have a corporate affiliation based upon common ownership with an EEM (and vice versa). The proposed change would enable a MIAX PEARL Market Maker without an affiliated EEM to enter into a relationship with an Appointed EEM. By virtue of designating an Appointed Market Maker, an EEM benefits by establishing an execution relationship with a MIAX PEARL Market Maker that may potentially provide greater liquidity to trade with its own Priority Customer volume. To be clear, the Exchange notes that an EEM that has a corporate affiliation based upon common ownership with a MIAX PEARL Market Maker may only aggregate volumes with its corporate-affiliated MIAX PEARL Market Maker,

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<sup>9</sup> See the definition of "Affiliate" in the Definitions section of the Fee Schedule.



and not with any other MIAX PEARL Market Maker. Further, MIAX PEARL Market Makers that have multiple Market Maker memberships which are already aggregated by the Exchange for purposes of qualifying the Member for tiered pricing incentives will be treated as a single entity.

Thus, the proposed changes would enable Members that may not currently qualify for tiered pricing incentives to potentially avail themselves of such incentives, as well as to assist Members to potentially achieve a higher tier, thus qualifying for higher rebates or reduced transaction fees. The Exchange believes these proposed changes would incentivize Members to direct their order flow to the Exchange to the benefit of all market participants. Further, the Exchange believes that the proposed changes would encourage MIAX PEARL Market Makers to increase their participation on the Exchange, which would increase capital commitment and liquidity on the Exchange to the benefit of all market participants.

As proposed, the Exchange will only recognize one such designation for each party once every 12 months (from the date of its most recent designation), which designation would remain in effect unless or until the parties informed the Exchange of its termination.<sup>10</sup> The Exchange believes that this requirement would impose a measure of exclusivity and would enable both parties to rely upon each other's transaction volumes executed on the Exchange, and potentially increase such volumes, which is beneficial to all Exchange participants. Other exchanges have adopted similar concepts and permit their market makers and order flow providers to appoint one another for purposes of volume aggregation to reach higher volume tier thresholds.<sup>11</sup>

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<sup>10</sup> See supra note 6.

<sup>11</sup> See Securities Exchange Act Release Nos. 77524 (April 5, 2016), 81 FR 21417 (April 11, 2016)(SR-BatsBZX-2016-04); 77526 (April 5, 2016), 81 FR 21405 (April 11, 2016)(SR-BatsEDGX-2016-05); 77926 (May 26, 2016), 81 FR 35421 (June 2, 2016) (SR-CBOE-2016-045); 78382 (July 21, 2016), 81 FR 49293 (July 27, 2016)(SR-Phlx-2016-62).

(b) Statutory Basis

The Exchange believes that its proposal to amend its fee schedule is consistent with Section 6(b) of the Act<sup>12</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act,<sup>13</sup> in that it is an equitable allocation of reasonable dues, fees and other charges among its members and issuers and other persons using its facilities, and 6(b)(5) of the Act,<sup>14</sup> 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 open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that its proposed fees and rebates are reasonable, fair and equitable, and non-discriminatory for the following reasons. First, the proposal would be available to all MIAX PEARL Market Makers and EEMs (except for those MIAX PEARL Market Makers who otherwise have a corporate affiliation based upon common ownership with an EEM (and vice versa)), and the decision to be designated as an “Appointed EEM” or “Appointed Market Maker” is completely voluntary and Members may elect to accept this appointment or not. Excluding Members that have a corporate affiliation by common ownership from also appointing other Members as “Affiliates” is equitable and not unfairly discriminatory because those Members are already eligible to aggregate volume and thus potentially qualify for tiered pricing incentives. In addition, the proposed changes would enable Members that are not able to achieve tiered pricing incentives to potentially avail themselves of such pricing as well as to assist Members that are currently able to achieve such tiers to potentially achieve a higher tier,

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<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(4).

<sup>14</sup> 15 U.S.C. 78f(b)(1) and (b)(5).

thus qualifying for higher rebates or lower fees. The Exchange believes these proposed changes would incentivize Members to direct their order flow to the Exchange. Specifically, the proposed changes would enable any MIAX PEARL Market Maker (except for those MIAX PEARL Market Makers who otherwise have a corporate affiliation based upon common ownership with an EEM) to qualify its Appointed EEM for purposes of potential tiered pricing incentives. Moreover, the proposed change would allow any EEM (except for those EEMs who otherwise have a corporate affiliation based upon common ownership with a MIAX Market Maker), by virtue of designating an Appointed Market Maker, to establish an execution relationship with a MIAX Market Maker that may potentially provide greater liquidity to trade with its own volume, including Priority Customer volume. The Exchange believes these proposed changes would incentivize Appointed EEMs with an Appointed Market Maker to direct their order flow to the Exchange, which would result in an increase in orders routed to the Exchange which in turn would benefit all market participants by expanding liquidity and providing more trading opportunities on the Exchange. Similarly, the Exchange believes these proposed changes would incentivize Appointed Market Makers with an Appointed EEM to increase their participation on the Exchange, which would increase capital commitment and liquidity and decrease spreads on the Exchange to the benefit of all market participants. The Exchange believes that, similar to volume-based tiers offered by the Exchange, the benefits of the proposal extend to all market participants based on the increased quality of liquidity on the Exchange, including those market participants that opt not to become an Appointed EEM or Appointed Market Maker.

Further, the Exchange believes that the proposal is reasonable and equitably allocated because it is beneficial to all Exchange participants based on the fact that it enables parties to

rely upon each other's transaction volumes executed on the Exchange, and potentially increase such volumes. In turn, as above, the potential increase in order flow, capital commitment and resulting liquidity on the Exchange would benefit all market participants by expanding liquidity, providing more trading opportunities and tighter spreads. The proposal is also reasonable, equitable and not unfairly discriminatory because the Exchange would only recognize one such designation for each party once every 12 months (from the date of its most recent designation), which requirement would impose a measure of exclusivity while allowing both parties to rely upon each other's transaction volumes executed on the Exchange, and potentially increase such volumes, again, to the benefit of all market participants. Finally, the Exchange believes the proposal is reasonable, equitable and not unfairly discriminatory and facilitates trading as it may encourage an increase in orders routed to the Exchange, which would expand liquidity and provide more trading opportunities and tighter spreads to the benefit of all market participants, even to those market participants that are either currently affiliated by virtue of their common ownership or that opt not to become an Appointed EEM or Appointed Market Maker under this proposal. Other exchanges have adopted similar concepts.<sup>15</sup>

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

The Exchange does not believe that the proposed amendments to its fee schedule will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed changes are pro-competitive as they would increase opportunities for MIAX PEARL Market Makers and EEMs (who do not otherwise have a corporate affiliation based upon common ownership with an EEM, and MIAX PEARL Market Maker, respectively) to potentially qualify for tiered pricing incentives on the

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<sup>15</sup> See supra note 11.

Exchange, which may increase intermarket and intramarket competition by incentivizing participants to direct their orders to the Exchange thereby increasing the volume of contracts traded on the Exchange. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange would benefit all market participants and improve competition on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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)(ii) of the Act,<sup>16</sup> and Rule 19b-4(f)(2) thereunder<sup>17</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>17</sup> 17 CFR 240.19b-4.

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

The proposed rule is based upon similar definitions and concepts in the fee schedules of BATS, EDGX, CBOE, Amex Options and PHLX.<sup>18</sup> BATS, EDGX, Amex Options and PHLX each provide that a Member may designate an appointment once per year, whereas CBOE provides that a Member may designate an appointment once per month.

**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.
3. Volume Aggregation Request Form
5. Applicable Section of the MIAX PEARL Fee Schedule

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<sup>18</sup> See supra note 11.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-PEARL-2017-18)

April\_\_, 2017

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

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 6, 2017, 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 Exchange initially filed the proposal on March 29, 2017 (SR-PEARL-2017-14). That filing was withdrawn and replaced with the current filing (SR-PEARL-2017-18).

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 its Fee Schedule to permit Exchange Market Makers<sup>3</sup> to appoint Electronic Exchange Members<sup>4</sup> (“EEMs”), and vice versa, as “Affiliates,” solely for purposes of calculating transaction volume in order to qualify for certain transaction rebate and fee incentives under the Fee Schedule. The Exchange notes that this concept of appointment between market makers and order flow providers currently exists at a number of other exchanges, including Bats BZX Exchange, Inc. (“BATS”), Bats EDGX Exchange, Inc. (“EDGX”), Chicago Board Options Exchange, Incorporated (“CBOE”), NYSE Amex Options LLC (“Amex Options”), and NASDAQ PHLX LLC (“PHLX”), as more fully discussed below.

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<sup>3</sup> The term “Market Maker” 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 the Exchange’s Rules. See Exchange Rule 100.

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



In order for the Exchange to implement this concept of appointment, the Exchange proposes to amend the definition of “Affiliate” contained in the Definitions section of the Fee Schedule. The definition of “Affiliate” currently reads:

“Affiliate” means an affiliate of a Member of at least 75% common ownership between the firms as reflected on each firm’s Form BD, Schedule A.

The Exchange proposes to amend the definition so that it instead reads:

“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 following process. A MIAX PEARL Market Maker appoints an EEM and an EEM appoints a MIAX PEARL Market Maker, for the purposes of the Fee Schedule, by each completing and sending an executed Volume Aggregation Request Form by email to [membership@miaxoptions.com](mailto:membership@miaxoptions.com) no later than 2 business days prior to the first business day of the month in which the designation is to become effective. Transmittal of a validly completed and executed form to the Exchange along with the Exchange’s acknowledgement of the effective designation to each of the Market Maker and EEM will be viewed as acceptance of the appointment. The Exchange will only recognize one

designation per Member. A Member may make a designation not more than once every 12 months (from the date of its most recent designation), which designation shall remain in effect unless or until the Exchange receives written notice submitted 2 business days prior to the first business day of the month from either Member indicating that the appointment has been terminated. Designations will become operative on the first business day of the effective month and may not be terminated prior to the end of the month. Execution data and reports will be provided to both parties.

The purpose of the proposed rule change is to increase opportunities for EEMs and Market Makers, who do not otherwise have a corporate affiliation based upon common ownership with a MIAX PEARL Market Maker or EEM, as the case may be, to potentially qualify for tiered pricing incentives on the Exchange. Specifically, the Exchange proposes to allow a MIAX PEARL Market Maker to designate an EEM as its “Appointed EEM” and for an EEM to designate a MIAX PEARL Market Maker as its “Appointed Market Maker” for purposes of Section 1)a) of the Fee Schedule. Members of the Exchange would effectuate such designation by completing and sending an executed Volume Aggregation Request Form by email to the Exchange no later than 2 business days prior to the first business day of the month in which the designation is to become effective.<sup>5</sup> As specified in the proposed Fee Schedule, the Exchange would view the transmittal of the validly completed and executed form along with the Exchange’s acknowledgement of the effective designation as acceptance of such an appointment.<sup>6</sup> The proposed new concepts would be applicable to all tiered pricing offered by

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<sup>5</sup> Members should direct their executed forms to [membership@miaxoptions.com](mailto:membership@miaxoptions.com).

<sup>6</sup> The Exchange further notes that, as proposed, the Exchange would only recognize one such designation for each party once every 12 months (from the date of its most recent

the Exchange in Section 1)a) of the Fee Schedule, and are designed to increase opportunities for Members to qualify for such tiers.

The Exchange currently offers tiers of rebates and fees as described in Section 1)a) of the Fee Schedule. Under the current tiers, Members that achieve certain volume criteria may qualify for reduced fees or enhanced rebates for various executions, including executions of Priority Customer<sup>7</sup> and Market Maker orders. In connection with such tiers, the Exchange calculates on a monthly basis a Member's volume in the applicable category (e.g., Priority Customer orders or Market Maker orders), as specified in the Fee Schedule for each applicable transaction.<sup>8</sup> For example, upon reaching a volume threshold that qualifies a Member for a specified tier under the Add/Remove Tiered Rebates/Fees scale, a Member receives the enhanced rebate or reduced fee

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designation), which designation would remain in effect unless or until the Exchange receives written notice submitted 2 business days prior to the first business day of the month from either party indicating that the appointment has been terminated.

<sup>7</sup> The term "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 accounts(s).

<sup>8</sup> For example, under Section 1)a), volume thresholds are calculated based on the total monthly volume executed by the Member on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) TCV (as the denominator). The per contract transaction rebates and fees shall be applied retroactively to all eligible volume once the threshold has been reached by Member. The Exchange aggregates the volume of Members and their Affiliates in the Add/Remove Tiered Fees. "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). "Exchange System Disruption" means an outage of a Matching Engine or collective Matching Engines for a period of two consecutive hours or more, during trading hours. "Matching Engine" is a part of the MIAX PEARL electronic system that processes options orders and trades on a symbol-by-symbol basis. Some Matching 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. See the Definitions Section of the Fee Schedule.

associated with the tier achieved for each eligible contract executed within that tier on the Exchange.

Under the Exchange's current Fee Schedule, a Member is permitted to aggregate volume with a Member's "Affiliates", which are defined as firms that have at least 75% common ownership with the Member as reflected on each firm's Form BD, Schedule A.<sup>9</sup> Thus, Members that act as EEMs with affiliated broker-dealers that are Market Makers on the Exchange, and vice-versa, may be able to potentially qualify for certain pricing incentives offered by the Exchange based on such affiliation and aggregation.

The Exchange proposes that all MIAX PEARL Market Makers who do not otherwise have a corporate affiliation based upon common ownership with an EEM (whether in the same broker-dealer or in a separate broker-dealer) would be able to appoint an EEM to aggregate its volume for purposes of reaching tier thresholds under the Fee Schedule, and conversely, all EEMs who do not otherwise have a corporate affiliation based upon common ownership with a MIAX PEARL Market Maker (whether in the same broker-dealer or in a separate broker-dealer) could appoint a MIAX PEARL Market Maker for the same purposes. The proposal would be available to all MIAX PEARL Market Makers and EEMs, except for those MIAX PEARL Market Makers who otherwise have a corporate affiliation based upon common ownership with an EEM (and vice versa). The proposed change would enable a MIAX PEARL Market Maker without an affiliated EEM to enter into a relationship with an Appointed EEM. By virtue of designating an Appointed Market Maker, an EEM benefits by establishing an execution relationship with a MIAX PEARL Market Maker that may potentially provide greater liquidity to trade with its own Priority Customer volume. To be clear, the Exchange notes that an EEM that has a corporate affiliation based upon common ownership with a MIAX PEARL Market

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<sup>9</sup> See the definition of "Affiliate" in the Definitions section of the Fee Schedule.

Maker may only aggregate volumes with its corporate-affiliated MIAX PEARL Market Maker, and not with any other MIAX PEARL Market Maker. Further, MIAX PEARL Market Makers that have multiple Market Maker memberships which are already aggregated by the Exchange for purposes of qualifying the Member for tiered pricing incentives will be treated as a single entity.

Thus, the proposed changes would enable Members that may not currently qualify for tiered pricing incentives to potentially avail themselves of such incentives, as well as to assist Members to potentially achieve a higher tier, thus qualifying for higher rebates or reduced transaction fees. The Exchange believes these proposed changes would incentivize Members to direct their order flow to the Exchange to the benefit of all market participants. Further, the Exchange believes that the proposed changes would encourage MIAX PEARL Market Makers to increase their participation on the Exchange, which would increase capital commitment and liquidity on the Exchange to the benefit of all market participants.

As proposed, the Exchange will only recognize one such designation for each party once every 12 months (from the date of its most recent designation), which designation would remain in effect unless or until the parties informed the Exchange of its termination.<sup>10</sup> The Exchange believes that this requirement would impose a measure of exclusivity and would enable both parties to rely upon each other's transaction volumes executed on the Exchange, and potentially increase such volumes, which is beneficial to all Exchange participants. Other exchanges have adopted similar concepts and permit their market makers and order flow providers to appoint one another for purposes of volume aggregation to reach higher volume tier thresholds.<sup>11</sup>

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<sup>10</sup> See supra note 6.

<sup>11</sup> See Securities Exchange Act Release Nos. 77524 (April 5, 2016), 81 FR 21417 (April 11, 2016)(SR-BatsBZX-2016-04); 77526 (April 5, 2016), 81 FR 21405 (April 11, 2016)(SR-

## 2. Statutory Basis

MIAX PEARL believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>12</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>13</sup>, in that it is an equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and 6(b)(5) of the Act,<sup>14</sup> 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 open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that its proposed fees and rebates are reasonable, fair and equitable, and non-discriminatory for the following reasons. First, the proposal would be available to all MIAX PEARL Market Makers and EEMs (except for those MIAX PEARL Market Makers who otherwise have a corporate affiliation based upon common ownership with an EEM (and vice versa)), and the decision to be designated as an “Appointed EEM” or “Appointed Market Maker” is completely voluntary and Members may elect to accept this appointment or not. Excluding Members that have a corporate affiliation by common ownership from also appointing other Members as “Affiliates” is equitable and not unfairly discriminatory because those Members are already eligible to aggregate volume and thus potentially qualify for tiered pricing incentives. In addition, the proposed changes would enable Members that are not able to achieve tiered pricing incentives to potentially avail themselves of such pricing as well as

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BatsEDGX-2016-05); 77926 (May 26, 2016), 81 FR 35421 (June 2, 2016) (SR-CBOE-2016-045); 78382 (July 21, 2016), 81 FR 49293 (July 27, 2016)(SR-Phlx-2016-62).

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(4).

<sup>14</sup> 15 U.S.C. 78f(b)(1) and (b)(5).

to assist Members that are currently able to achieve such tiers to potentially achieve a higher tier, thus qualifying for higher rebates or lower fees. The Exchange believes these proposed changes would incentivize Members to direct their order flow to the Exchange. Specifically, the proposed changes would enable any MIAX PEARL Market Maker (except for those MIAX PEARL Market Makers who otherwise have a corporate affiliation based upon common ownership with an EEM) to qualify its Appointed EEM for purposes of potential tiered pricing incentives. Moreover, the proposed change would allow any EEM (except for those EEMs who otherwise have a corporate affiliation based upon common ownership with a MIAX Market Maker), by virtue of designating an Appointed Market Maker, to establish an execution relationship with a MIAX Market Maker that may potentially provide greater liquidity to trade with its own volume, including Priority Customer volume. The Exchange believes these proposed changes would incentivize Appointed EEMs with an Appointed Market Maker to direct their order flow to the Exchange, which would result in an increase in orders routed to the Exchange which in turn would benefit all market participants by expanding liquidity and providing more trading opportunities on the Exchange. Similarly, the Exchange believes these proposed changes would incentivize Appointed Market Makers with an Appointed EEM to increase their participation on the Exchange, which would increase capital commitment and liquidity and decrease spreads on the Exchange to the benefit of all market participants. The Exchange believes that, similar to volume-based tiers offered by the Exchange, the benefits of the proposal extend to all market participants based on the increased quality of liquidity on the Exchange, including those market participants that opt not to become an Appointed EEM or Appointed Market Maker.

Further, the Exchange believes that the proposal is reasonable and equitably allocated because it is beneficial to all Exchange participants based on the fact that it enables parties to

rely upon each other's transaction volumes executed on the Exchange, and potentially increase such volumes. In turn, as above, the potential increase in order flow, capital commitment and resulting liquidity on the Exchange would benefit all market participants by expanding liquidity, providing more trading opportunities and tighter spreads. The proposal is also reasonable, equitable and not unfairly discriminatory because the Exchange would only recognize one such designation for each party once every 12 months (from the date of its most recent designation), which requirement would impose a measure of exclusivity while allowing both parties to rely upon each other's transaction volumes executed on the Exchange, and potentially increase such volumes, again, to the benefit of all market participants. Finally, the Exchange believes the proposal is reasonable, equitable and not unfairly discriminatory and facilitates trading as it may encourage an increase in orders routed to the Exchange, which would expand liquidity and provide more trading opportunities and tighter spreads to the benefit of all market participants, even to those market participants that are either currently affiliated by virtue of their common ownership or that opt not to become an Appointed EEM or Appointed Market Maker under this proposal. Other exchanges have adopted similar concepts.<sup>15</sup>

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

The Exchange does not believe that the proposed amendments to its fee schedule will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed changes are pro-competitive as they would increase opportunities for MIAX PEARL Market Makers and EEMs (who do not otherwise have a corporate affiliation based upon common ownership with an EEM, and MIAX PEARL Market Maker, respectively) to potentially qualify for tiered pricing incentives on the Exchange, which may increase intermarket and intramarket competition by incentivizing participants to direct their

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<sup>15</sup> See supra note 11.



orders to the Exchange thereby increasing the volume of contracts traded on the Exchange. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange would benefit all market participants and improve competition on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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,<sup>16</sup> and Rule 19b-4(f)(2)<sup>17</sup> 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:

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>17</sup> 17 CFR 240.19b-4(f)(2).

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:to rule-comments@sec.gov). Please include File Number SR-PEARL-2017-18 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-2017-18. 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-2017-18 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.<sup>18</sup>

Brent J. Fields  
Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).



### VOLUME AGGREGATION REQUEST FORM

This request for volume aggregation and detailed execution information is made to Miami International Securities Exchange, LLC ("MIAX Options") and/or MIAX PEARL, LLC ("MIAX PEARL") (each, an "Exchange") by the Members noted below. This request should be completed by Members who are affiliated as evidenced on each Member's Form BD or who have been appointed as an Appointed Electronic Exchange Member ("Appointed EEM") / Appointed Market Maker pursuant to the Exchange's fee schedule. The term "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).

The Members noted below would like to request aggregation of all options volume submitted to the Exchange by each Member with an approved trading ID. Additionally, the Members request detailed execution information for all aggregated volume.

By signing below, each Member acknowledges and agrees that the other Member will have access to the same information and releases each Exchange from any liability associated with providing detailed execution information. An executed version of this Request can be delivered to the Exchange via email to [Membership@MIAXOptions.com](mailto:Membership@MIAXOptions.com).

Select Exchange (required):	<input type="checkbox"/> MIAX Options	<input type="checkbox"/> MIAX PEARL
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Member Name: \_\_\_\_\_ CRD #: \_\_\_\_\_

\_\_\_\_\_  
Signature of Authorized Person Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

Member Name: \_\_\_\_\_ CRD #: \_\_\_\_\_

\_\_\_\_\_  
Signature of Authorized Person Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

**Exhibit 5**

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

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## MIAX PEARL Fee Schedule

### Definitions

For purposes of assessing fees, the following definitions should serve as guidance. Any definitions that are also defined in Exchange Rules include a cross reference to the corresponding Exchange Rule. Rebates and fees are listed per contract per leg unless otherwise noted.

“ABBO” means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (defined in Exchange Rule 1400(f)) and calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

“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 following process. A MIAX PEARL Market Maker appoints an EEM and an EEM appoints a MIAX PEARL Market Maker, for the purposes of the Fee Schedule, by each completing and sending an executed Volume Aggregation Request Form by email to membership@miaxoptions.com no later than 2 business days prior to the first business day of the month in which the designation is to become effective. Transmittal of a validly completed and executed form to the Exchange along with the Exchange’s acknowledgement of the effective designation to each of the Market Maker and EEM will be viewed as acceptance of the appointment. The Exchange will only recognize one designation per Member. A Member may make a designation not more than once every 12 months (from the date of its most recent designation), which designation shall remain in effect unless or until the Exchange receives written notice submitted 2 business days prior to the first business day of the month from either Member indicating that the appointment has been terminated. Designations will become operative on the first business day of the effective month and may not be terminated prior to the end of the month. Execution data and reports will be provided to both parties.

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