

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83419; File No. SR-PEARL-2018-13)

June 12, 2018

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

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 31, 2018, MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend the MIAX PEARL Fee Schedule (the “Fee Schedule”).

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

1. Purpose

The Exchange proposes to amend the Add/Remove Tiered Rebates/Fees set forth in Section 1)a) of the Fee Schedule to (i) modify the volume thresholds applicable to transactions for (A) Priority Customers,³ (B) MIAX PEARL Market Makers,⁴ and (C) Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers (collectively herein "Professional Members"); (ii) add a new Tier 6 and corresponding rebates and fees applicable to transactions for Priority Customers and Professional Members; (iii) decrease Maker (as defined below) rebates in certain Tiers (as defined below) for options transactions in Penny classes (as defined below) and Non-Penny classes (as defined below) for Priority Customers and Professional Members; (iv) increase Taker (as defined below) fees in all Tiers for options transactions in Penny Classes for Priority Customers, and increase the Taker fees in Tier 2 applicable to options transactions in Penny and Non-Penny classes for Professional Members; (v) provide alternative Maker rebates for options transactions in all classes for Professional Members, provided that the Member meets certain volume criteria; and (vi) create new tiered fee structures for Taker fees in the symbols SPY, QQQ, IWM and VXX for Priority Customers. The

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

⁴ "Market Maker" means a Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange. See the Definitions Section of the Fee Schedule and Exchange Rule 100.

Exchange also proposes to make certain non-substantive, technical corrections to the Fee Schedule, as described below.

The Exchange currently assesses transaction rebates and fees to all market participants which are based upon the total monthly volume executed by the Member⁵ on MIAX PEARL in the relevant, respective origin type (not including Excluded Contracts)⁶ expressed as a percentage of TCV.⁷ In addition, the per contract transaction rebates and fees are applied retroactively to all eligible volume for that origin type once the respective threshold tier (“Tier”) has been reached by the Member. The Exchange aggregates the volume of Members and their

⁵ “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of the Exchange Rules for purposes of trading on the Exchange as an “Electronic Exchange Member” or “Market Maker.” Members are deemed “members” under the Exchange Act. See the Definitions Section of the Fee Schedule and Exchange Rule 100.

⁶ “Excluded Contracts” means any contracts routed to an away market for execution. See the Definitions Section of the Fee Schedule.

⁷ “TCV” means total consolidated volume calculated as the total national volume in those classes listed on MIAX PEARL for the month for which the fees apply, excluding consolidated volume executed during the period time in which the Exchange experiences an “Exchange System Disruption” (solely in the option classes of the affected Matching Engine (as defined below)). The term Exchange System Disruption, which is defined in the Definitions section of the Fee Schedule, means an outage of a Matching Engine or collective Matching Engines for a period of two consecutive hours or more, during trading hours. The term Matching Engine, which is also defined in the Definitions section of the Fee Schedule, is a part of the MIAX PEARL electronic system that processes options orders and trades on a symbol-by-symbol basis. Some Matching Engines will process option classes with multiple root symbols, and other Matching Engines may be dedicated to one single option root symbol (for example, options on SPY may be processed by one single Matching Engine that is dedicated only to SPY). A particular root symbol may only be assigned to a single designated Matching Engine. A particular root symbol may not be assigned to multiple Matching Engines. The Exchange believes that it is reasonable and appropriate to select two consecutive hours as the amount of time necessary to constitute an Exchange System Disruption, as two hours equates to approximately 1.4% of available trading time per month. The Exchange notes that the term “Exchange System Disruption” and its meaning have no applicability outside of the Fee Schedule, as it is used solely for purposes of calculating volume for the threshold tiers in the Fee Schedule. See the Definitions Section of the Fee Schedule.

Affiliates.⁸ Members that place resting liquidity, i.e., orders resting on the book of the MIAX PEARL System,⁹ are paid the specified “maker” rebate (each a “Maker”), and Members that execute against resting liquidity are assessed the specified “taker” fee (each a “Taker”). For opening transactions and ABBO uncrossing transactions, per contract transaction rebates and fees are waived for all market participants. Finally, Members are assessed lower transaction fees and receive lower rebates for order executions in standard option classes in the Penny Pilot Program¹⁰ (“Penny classes”) than for order executions in standard option classes which are not in the Penny Pilot Program (“Non-Penny classes”), where Members are assessed higher transaction fees and receive higher rebates. Transaction rebates and fees in Section 1)a) of the Fee Schedule are currently assessed according to the following tables:

⁸ “Affiliate” means (i) an affiliate of a Member of at least 75% common ownership between the firms as reflected on each firm’s Form BD, Schedule A, or (ii) the Appointed Market Maker of an Appointed EEM (or, conversely, the Appointed EEM of an Appointed Market Maker). An “Appointed Market Maker” is a MIAX PEARL Market Maker (who does not otherwise have a corporate affiliation based upon common ownership with an EEM) that has been appointed by an EEM and an “Appointed EEM” is an EEM (who does not otherwise have a corporate affiliation based upon common ownership with a MIAX PEARL Market Maker) that has been appointed by a MIAX PEARL Market Maker, pursuant to the process described in the Fee Schedule. See the Definitions Section of the Fee Schedule.

⁹ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

¹⁰ See Securities Exchange Act Release No. 79778 (January 12, 2017), 82 FR 6662 (January 19, 2017)(SR-PEARL-2016-01).

			Per Contract Rebates/Fees for Penny Classes		Per Contract Rebates/Fees for Non-Penny Classes	
Origin	Tier	Volume Criteria	Maker	Taker*	Maker	Taker
Priority Customer	1	0.00% - 0.05%	(\$0.25)	\$0.42	(\$0.85)	\$0.87
	2	Above 0.05% - 0.35%	(\$0.40)	\$0.42	(\$1.05)	\$0.86
	3	Above 0.35% - 0.50%	(\$0.50)	\$0.42	(\$1.05)	\$0.85
	4	Above 0.50% - 0.75%	(\$0.53)	\$0.42	(\$1.05)	\$0.84
	5	Above 0.75%	(\$0.54)	\$0.42	(\$1.05)	\$0.84

* For all Penny Classes other than SPY, QQQ, IWM, and VXX. For SPY, the Priority Customer Taker Fee shall be \$0.38 per contract. For QQQ, IWM, and VXX, the Priority Customer Taker Fee shall be \$0.40 per contract.

			Per Contract Rebates/Fees for Penny Classes		Per Contract Rebates/Fees for Non-Penny Classes	
Origin	Tier	Volume Criteria	Maker	Taker	Maker**	Taker**
All MIAX PEARL Market Makers	1	0.00% - 0.05%	(\$0.25)	\$0.50	(\$0.30)	\$1.05
	2	Above 0.05% - 0.25%	(\$0.40)	\$0.50	(\$0.30)	\$1.05
	3	Above 0.25% - 0.50%	(\$0.40)	\$0.48	(\$0.60)	\$1.03
	4	Above 0.50% - 0.75% or Above 2.0% in SPY	(\$0.47)	\$0.43	(\$0.65)	\$1.02
	5	Above 0.75% - 1.00%	(\$0.48)	\$0.43	(\$0.70)	\$1.02
	6	Above 1.00%	(\$0.48)	\$0.43	(\$0.85)	\$1.02

			Per Contract Rebates/Fees for Penny Classes		Per Contract Rebates/Fees for Non-Penny Classes	
Origin	Tier	Volume Criteria	Maker	Taker	Maker**	Taker**
Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers	1	0.00% - 0.10%	(\$0.25)	\$0.50	(\$0.30)	\$1.05
	2	Above 0.10% - 0.50%	(\$0.40)	\$0.49	(\$0.60)	\$1.04
	3	Above 0.50% - 0.75%	(\$0.45)	\$0.48	(\$0.65)	\$1.04
	4	Above 0.75% - 1.00%	(\$0.48)	\$0.48	(\$0.70)	\$1.04
	5	Above 1.00%	(\$0.48)	\$0.48	(\$0.85)	\$1.04

** Members may qualify for the Maker Rebate and the Taker Fee associated with the highest Tier for transactions in Non-Penny classes if the Member executes more than 0.30% volume in Non-Penny classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes. For purposes of qualifying for such rates, the Exchange will aggregate the volume transacted by Members and their Affiliates in the following Origin types in Non-Penny classes: MIAX PEARL Market Makers, and Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers.

Volume Threshold Tiers

The Exchange proposes to modify the monthly volume thresholds applicable to (i) Priority Customers, (ii) MIAX PEARL Market Makers, and (iii) Professional Members.

Priority Customers

Specifically, with regard to transactions for Priority Customers, the Exchange proposes to adjust the calculation threshold of Tier 1's volume criteria from 0.00% up to 0.05% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.00% up to 0.10% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

Further, the Exchange proposes to adjust the calculation threshold of Priority Customer Tier 2's volume criteria from above 0.05% up to 0.35% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.10% up to 0.35% of the total monthly volume executed by the Member on

MIAX PEARL, not including Excluded Contracts, divided by the TCV. The Exchange does not propose any adjustment to Tier 3 or Tier 4 volume thresholds for Priority Customer transactions.

The Exchange further proposes to adjust the calculation threshold of Priority Customer Tier 5's volume criteria from above 0.75% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.75% up to 1.25% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange proposes to add a new Tier 6 threshold applicable to all Priority Customer transactions and corresponding rebates and fees. The new Tier 6 threshold volume criteria shall be calculated as above 1.25% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV. The new Tier 6 rebates and fees shall be as follows:

Priority Customer		Per Contract Rebates/Fees for Penny Classes				Per Contract Rebates/Fees for Non-Penny Classes	
Tier	Volume Criteria	Maker	Taker *	SPY Taker ¹¹	QQQ, IWM, VXX Taker ¹²	Maker	Taker
6	Above 1.25%	(\$0.54)	\$0.43	\$0.38	\$0.40	(\$1.05)	\$0.84

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

The Exchange believes that the proposed modified monthly volume thresholds, as well as the new rebates and fees in Tier 6, will continue to provide appropriate incentives for Exchange Members to provide aggressive liquidity in Priority Customer transactions so that they can achieve sufficient rebates and lower fees. The Exchange believes that this amount of volume

¹¹ Proposed fee change to be discussed further below.

¹² Proposed fee change to be discussed further below.

should continue to make the MIAX PEARL marketplace an attractive venue where the Exchange's Members are incentivized to submit Priority Customer orders, deepening and enhancing the quality of the MIAX PEARL marketplace. This should in turn provide more trading opportunities and tighter spreads for other market participants and result in a corresponding increase in order flow from such other market participants.

Market Makers

The Exchange proposes to modify the monthly volume thresholds applicable to the Exchange's Market Makers and to adjust the thresholds in all Tiers. Specifically, the Exchange proposes to adjust the calculation threshold of Tier 1's volume criteria from 0.00% up to 0.05% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.00% up to 0.15% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

Further, the Exchange proposes to adjust the calculation threshold of Tier 2's volume criteria for Market Makers from above 0.05% up to 0.25% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.15% up to 0.40% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange proposes to adjust the calculation threshold of Tier 3's volume criteria for Market Makers from above 0.25% up to 0.50% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.40% up to 0.65% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange additionally proposes to adjust the calculation threshold of Tier 4's volume criteria for Market Makers from above 0.50% up to 0.75% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV to become above 0.65% up to 1.00% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange also proposes to modify the alternative Volume Criteria to Tier 4 based upon the total monthly volume executed by a Market Maker solely in SPY options on MIAX PEARL, expressed as a percentage of total consolidated national volume in SPY options. Pursuant to this alternative Volume Criteria, a Market Maker could currently reach the Tier 4 threshold if the Market Maker's total executed monthly volume in SPY options on MIAX PEARL is above 2.0% of total consolidated national monthly volume in SPY options. The Exchange now proposes that a Market Maker can reach the Tier 4 threshold if the Market Maker's total executed monthly volume in SPY options on MIAX PEARL is above 2.25% of the total consolidated national monthly volume in SPY options. The Exchange believes that the proposed modification to the alternative Volume Criteria threshold in Tier 4 for Market Makers in SPY options (increasing the threshold amount from 2.0% to 2.25%) will continue to provide a sufficient incentive to those Market Makers that concentrate their trading activity in limited options classes (such as SPY options) to reach a higher tier. The alternative Volume Criteria threshold in Tier 4 for Market Makers in SPY options is also discussed in the note beneath the transaction fee tables, which provides more explanation on the alternative threshold. Accordingly, the Exchange also proposes to change the threshold amount (increasing it from 2.0% to 2.25%) in that note beneath the tables. The Exchange also proposes to make another non-substantive technical correction to that same sentence in the note beneath the transaction fee

tables to correct an inaccurate cross-reference. Presently, the note reads “[i]n Tier 3 for MIAX PEARL Market Makers, the alternative Volume Criteria...” However, the Tier referenced in that note should be to Tier 4, not Tier 3. Accordingly, the Exchange proposes to change the reference to Tier 4. This particular proposed change does not impact any fees substantively and only serves to identify the correct Tier.

Further, the Exchange proposes to adjust the calculation threshold of Tier 5’s volume criteria for Market Makers from above 0.75% up to 1.00% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 1.00% up to 1.40% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange additionally proposes to adjust the calculation threshold of Tier 6’s volume criteria for Market Makers from above 1.00% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 1.40% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

Professional Members

The Exchange proposes to modify the monthly volume thresholds applicable to all Professional Members to adjust the thresholds in all Tiers as well as to add a new Tier 6 threshold and corresponding Tier 6 rebates and fees. Specifically, the Exchange proposes to adjust the calculation threshold of Tier 1’s volume criteria for Professional Members from 0.00% up to 0.10% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.00% up to 0.15% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

Further, the Exchange proposes to adjust the calculation threshold of Tier 2's volume criteria for Professional Members from above 0.10% up to 0.50% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.15% up to 0.40% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

Further, the Exchange proposes to adjust the calculation threshold of Tier 3's volume criteria for Professional Members from above 0.50% up to 0.75% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.40% up to 0.65% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange additionally proposes to adjust the calculation threshold of Tier 4's volume criteria for Professional Members from above 0.75% up to 1.00% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.65% up to 1.00% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange additionally proposes to adjust the calculation threshold of Tier 5's volume criteria for Professional Members from above 1.00% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 1.00% up to 1.40% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange proposes to add a new Tier 6 threshold applicable to all MIAX PEARL Professional Members and corresponding rebates and fees. The new Tier 6 threshold volume criteria shall be calculated as above 1.40% of the total monthly volume executed by the Member

on MIAX PEARL, not including Excluded Contracts, divided by the TCV. The new Tier 6 rebates and fees shall be as follows:

Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers		Per Contract Rebates/Fees for Penny Classes		Per Contract Rebates/Fees for Non-Penny Classes	
Tier	Volume Criteria	Maker	Taker	Maker**	Taker**
6	Above 1.40%	(\$0.48)	\$0.48	(\$0.85)	\$1.04

** Members may qualify for the Maker Rebate and the Taker Fee associated with the highest Tier for transactions in Non-Penny classes if the Member executes more than 0.30% volume in Non-Penny classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes. For purposes of qualifying for such rates, the Exchange will aggregate the volume transacted by Members and their Affiliates in the following Origin types in Non-Penny classes: MIAX PEARL Market Makers, and Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers.

The Exchange believes that the modified new monthly thresholds and new rebates and fees in Tier 6 should continue to provide sufficient incentives for Professional Members to aggressively provide liquidity so that they can achieve higher rebates and fees. The Exchange believes that this volume should continue to make the MIAX PEARL marketplace an attractive venue where the Professional Members are incentivized to submit orders, deepening and enhancing the quality of the MIAX PEARL marketplace. This should in turn provide more trading opportunities and tighter spreads for other market participants and result in a corresponding increase in order flow from such other market participants.

Maker Rebates

The Exchange proposes to decrease the Maker rebate amounts in certain Tiers as described below for Penny and Non-Penny classes for Priority Customers and Professional Members.

Priority Customers

Specifically, the Exchange proposes to decrease the Maker rebates in Tiers 3, 4 and 5 for Penny classes and in Tiers 2 through 5 in Non-Penny classes for Priority Customer transactions. For options transactions in Penny classes, the Exchange proposes to decrease the Maker rebate in Tier 3 from (\$0.50) to (\$0.45), in Tier 4 from (\$0.53) to (\$0.52) and in Tier 5 from (\$0.54) to (\$0.53). For Priority Customer options transactions in Non-Penny classes, the Exchange proposes to decrease the Maker rebates in Tier 2 from (\$1.05) to (\$0.95), in Tier 3 from (\$1.05) to (\$1.00), in Tier 4 from (\$1.05) to (\$1.03) and in Tier 5 from (\$1.05) to (\$1.04).

Professional Members

The Exchange proposes to decrease the Maker rebates applicable to Professional Members in Tiers 3 and 4 in Penny classes and in Tiers 2 through 5 in Non-Penny classes. For options transactions in Penny classes, the Exchange proposes to decrease the Maker rebates in Tier 3 from (\$0.45) to (\$0.40) and in Tier 4 from (\$0.48) to (\$0.47). For Professional Member options transactions in Non-Penny classes, the Exchange proposes to decrease the Maker rebates in Tier 2 from (\$0.60) to (\$0.30), in Tier 3 from (\$0.65) to (\$0.60), in Tier 4 from (\$0.70) to (\$0.65) and in Tier 5 from (\$0.85) to (\$0.70).

The purpose of decreasing the amount of the Maker rebates is to bring the Exchange's rebate amounts more into line with the rebate amounts offered at other Exchanges.¹³ The Exchange believes that the decreased amounts will continue to provide a sufficient incentive to Members to execute Priority Customer orders and to Professional Members to execute volume at the Exchange. The Exchange believes that this Maker volume by Members in both Penny and

¹³ See Cboe BZX Options Exchange Fee Schedule under "Transaction Fees"; see also Nasdaq Options Market LLC ("NOM") Chapter XV, Section 2, "Nasdaq Options Market Fees and Rebates."

Non-Penny classes will continue to attract liquidity to the Exchange, which in turn will benefit all market participants.

The Exchange also proposes to provide alternative Maker rebates for options transactions in all classes for Professional Members, provided that the Member meets certain volume criteria. Specifically, Members may qualify for Maker rebates equal to the greater of: (A) (\$0.40) for Penny Classes and (\$0.65) for Non-Penny Classes, or (B) the amount set forth in the applicable Tier reached by the Member in the relevant Origin, if the Member and their Affiliates execute at least 1.50% volume in the relevant month, in Priority Customer Origin type, in all options classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes. For example, if a Member met the monthly volume criteria and reached Tier 1 for Professional Members' options transactions but reached the Priority Customer monthly threshold of over 1.50% of TCV, the Member would receive a rebate of (\$0.40) per contract in Penny Classes (instead of (\$0.25) per contract) and (\$0.65) per contract in Non-Penny Classes (instead of (\$0.30) per contract). The member would receive the Taker rates associated with the Tier, \$0.50 for Penny and \$1.05 for Non-Penny. Also, for purposes of qualifying for such rates, the Exchange will aggregate the Priority Customer volume transacted by Members and their Affiliates. The purpose of providing alternative Maker rebate rates for options transactions in all classes for Professional Members (if the Member meets certain volume criteria) is to encourage Members to execute additional Priority Customer and Professional Member volume on the Exchange. The Exchange believes that additional Priority Customer and Professional Member volume executed on the Exchange will attract further liquidity to the Exchange, which in turn will benefit all market participants.

Taker Fees

The Exchange proposes to: (i) increase the Taker fees in all Tiers for options transactions in all Penny classes (other than SPY, QQQ, IWM, and VXX) with respect to Priority Customer orders; and (ii) increase the Taker fee for Professional Members in Tier 2 for options transactions in Penny and Non-Penny classes.

Specifically, the Exchange proposes to increase the Taker fees for Priority Customer orders in options in Penny Classes in Tier 1 from \$0.42 to \$0.48, in Tier 2 from \$0.42 to \$0.46, in Tier 3 from \$0.42 to \$0.44, in Tier 4 from \$0.42 to \$0.44 and in Tier 5 from \$0.42 to \$0.44.

The Exchange also proposes to increase the Taker fee for Professional Members for options transactions in Penny classes in Tier 2 from \$0.49 to \$0.50 and in Non-Penny classes in Tier 2 from \$1.04 to \$1.05.

The purpose of increasing the specified Taker fees and decreasing Maker rebates is for business and competitive reasons. As a new exchange, in order to attract order flow, the Exchange initially set its Maker rebates and Taker fees so that they were meaningfully higher/lower than other options exchanges that operate comparable maker/taker pricing models.¹⁴ The Exchange now believes that it is appropriate to adjust these Maker rebates and Taker fees so that they are more in line with other exchanges, but will still remain highly competitive such that they should enable the Exchange to continue to attract order flow and grow market share.¹⁵

SPY Taker Fees

The Exchange proposes to amend the Priority Customer table to establish a separate tiered structure of Taker fees for options on SPY. The Exchange currently charges a Taker fee of

¹⁴ See Securities Exchange Act Release Nos. 80915 (June 13, 2017), 82 FR 27912 (June 19, 2017)(SR-PEARL-2017-29); 80914 (June 13, 2017), 82 FR 27910 (June 19, 2017)(SR-PEARL-2017-30).

¹⁵ See supra note 13.

\$0.38 for all transactions on behalf of Priority Customers in SPY options. The Exchange proposes instead to assess the following Taker fees for Priority Customer orders for SPY options corresponding to the Tiers and volume thresholds which are applicable to Priority Customer orders:

Tier 1	\$0.44
Tier 2	\$0.43
Tier 3	\$0.42
Tier 4	\$0.41
Tier 5	\$0.40
Tier 6	\$0.38

Further, in order to provide a clearer explanation of the requirements for achieving the specified Volume Criteria thresholds in SPY, the Exchange proposes to add a new column setting forth the SPY Taker fees in Section 1)a) of the Fee Schedule under “Per Contract Rebates/Fees for Penny Classes”.

QQQ, IWM and VXX Taker Fees

The Exchange further proposes to amend the Priority Customer table to establish a separate tiered structure of Taker fees for options transactions in QQQ, IWM and VXX. The Exchange currently charges a Taker fee of \$0.40 for all transactions on behalf of Priority Customers in QQQ, IWM and VXX options. The Exchange proposes instead to assess the following Taker fees for Priority Customer orders for QQQ, IWM and VXX options corresponding to the Tiers and volume thresholds which are applicable to Priority Customer orders:

Tier 1	\$0.47
Tier 2	\$0.46
Tier 3	\$0.44
Tier 4	\$0.43
Tier 5	\$0.42
Tier 6	\$0.40

Further, in order to provide a clearer explanation of the requirements for achieving the specified Volume Criteria thresholds in in the symbols QQQ, IWM and VXX, the Exchange proposes to add a new column setting forth the Taker fees for such symbols in Section 1)a) of the Fee Schedule under “Per Contract Rebates/Fees for Penny Classes”.

Since the Exchange is adding the new columns to Section 1)a) of the Fee Schedule for SPY and QQQ, IWM, VXX Taker Fees for Priority Customer orders, the Exchange proposes to delete the last sentence in the asterisked footnote below the Priority Customer table which contained the Taker fees for those symbols.

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

			Per Contract Rebates/Fees for Penny Classes				Per Contract Rebates/Fees for Non-Penny Classes	
Origin	Tier	Volume Criteria	Maker	Taker*	SPY Taker	QQQ, IWM, VXX Taker	Maker	Taker
Priority Customer	1	0.00% - 0.10%	(\$0.25)	\$0.48	\$0.44	\$0.47	(\$0.85)	\$0.87
	2	Above 0.10% - 0.35%	(\$0.40)	\$0.46	\$0.43	\$0.46	(\$0.95)	\$0.86
	3	Above 0.35% - 0.50%	(\$0.45)	\$0.44	\$0.42	\$0.44	(\$1.00)	\$0.85
	4	Above 0.50% - 0.75%	(\$0.52)	\$0.44	\$0.41	\$0.43	(\$1.03)	\$0.84
	5	Above 0.75% - 1.25%	(\$0.53)	\$0.44	\$0.40	\$0.42	(\$1.04)	\$0.84
	6	Above 1.25%	(\$0.54)	\$0.43	\$0.38	\$0.40	(\$1.05)	\$0.84

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

			Per Contract Rebates/Fees for Penny Classes		Per Contract Rebates/Fees for Non-Penny Classes	
Origin	Tier	Volume Criteria	Maker	Taker	Maker**	Taker**
All MIAX PEARL Market Makers	1	0.00% - 0.15%	(\$0.25)	\$0.50	(\$0.30)	\$1.05
	2	Above 0.15% - 0.40%	(\$0.40)	\$0.50	(\$0.30)	\$1.05
	3	Above 0.40% - 0.65%	(\$0.40)	\$0.48	(\$0.60)	\$1.03
	4	Above 0.65% - 1.00% or Above 2.25% in SPY	(\$0.47)	\$0.43	(\$0.65)	\$1.02
	5	Above 1.00% - 1.40%	(\$0.48)	\$0.43	(\$0.70)	\$1.02
	6	Above 1.40%	(\$0.48)	\$0.43	(\$0.85)	\$1.02

			Per Contract Rebates/Fees for Penny Classes		Per Contract Rebates/Fees for Non-Penny Classes	
Origin	Tier	Volume Criteria	Maker [^]	Taker	Maker** [^]	Taker**
Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers	1	0.00% - 0.15%	(\$0.25)	\$0.50	(\$0.30)	\$1.05
	2	Above 0.15% - 0.40%	(\$0.40)	\$0.50	(\$0.30)	\$1.05
	3	Above 0.40% - 0.65%	(\$0.40)	\$0.48	(\$0.60)	\$1.04
	4	Above 0.65% - 1.00%	(\$0.47)	\$0.48	(\$0.65)	\$1.04
	5	Above 1.00% – 1.40%	(\$0.48)	\$0.48	(\$0.70)	\$1.04
	6	Above 1.40%	(\$0.48)	\$0.48	(\$0.85)	\$1.04

** Members may qualify for the Maker Rebate and the Taker Fee associated with the highest Tier for transactions in Non-Penny classes if the Member executes more than 0.30% volume in Non-Penny classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes. For purposes of qualifying for such rates, the Exchange will aggregate the volume transacted by Members and their Affiliates in the following Origin types in Non-Penny classes: MIAX PEARL Market Makers, and Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers.

[^] Members may qualify for Maker Rebates equal to the greater of: (A) (\$0.40) for Penny Classes and (\$0.65) for Non-Penny Classes, or (B) the amount set forth in the applicable Tier reached by the Member in the relevant Origin, if the Member and their Affiliates execute at least 1.50% volume in the relevant month, in Priority Customer Origin type, in all options classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes.

Except as otherwise set forth herein, the Volume Criteria is calculated based on the total monthly volume executed by the Member in all options classes 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). In Tier 4 for MIAX PEARL Market Makers, the alternative Volume Criteria (above 2.25% in SPY) is calculated based on the total monthly volume executed by the Market Maker solely in SPY options on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) SPY 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. The per contract transaction rebates and fees shall be waived for transactions executed during the opening and for transactions that uncross the ABBO.

The proposed changes are scheduled to become operative June 1, 2018.

2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act¹⁶ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹⁷ in that it is an equitable allocation of reasonable dues, fees and other charges among Exchange members and issuers and other persons using its facilities, and 6(b)(5) of the Act,¹⁸ 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 the proposed new Tier structures applicable to Priority Customers, Market Makers and Professional Members are consistent with Section 6(b)(4) of the Act in that they are fair, equitable and not unreasonably discriminatory and should continue to improve the market quality for the Exchange's Members and consequently all market participants. The proposed changes to the MIAX PEARL Tier structures and rebates and fees are fair and equitable and not unreasonably discriminatory because they apply equally to all MIAX PEARL orders for the applicable origin type. All similarly situated MIAX PEARL orders are subject to the same rebate and fee schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory.

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(4).

¹⁸ 15 U.S.C. 78f(b)(1) and (b)(5).

The Exchange believes that the proposed new Tier structures applicable to Priority Customers, Market Makers and Professional Members are consistent with Section 6(b)(5) of the Act in that they promote equitable access to the Exchange for all market participants. To the extent that MIAX PEARL Member volume is increased by the proposal, market participants will increasingly compete for the opportunity to trade on the Exchange including sending more orders to the Exchange. The resulting increased volume and liquidity will benefit all Exchange participants by providing more trading opportunities and tighter spreads.

The specific volume thresholds of the Tiers for Priority Customers, Market Makers and Professional Members as well as the rebates and fees are set based upon business determinations and an analysis of current volume levels. The Exchange believes that the proposed new Maker rebates and Taker fees are generally within the range of rebates and fees at other exchanges that have a Maker-Taker fee structure.¹⁹ The volume thresholds are intended to continue to incentivize MIAX PEARL Members to increase the number of orders they send to the Exchange so that they can achieve the next threshold, and to encourage all market participants to send more orders as well. Increasing the number of orders sent to the Exchange will in turn provide tighter and more liquid markets, and therefore attract more business overall. Similarly, the different rebate rates at the different Tier levels are based on an analysis of current revenue and volume levels and are intended to provide continued incentives to MIAX PEARL market participants to increase the volume of orders sent to, and contracts executed on, the Exchange. The specific volume thresholds of the Tiers and rates are set in order to encourage MIAX PEARL market participants to continue to reach for higher tiers.

¹⁹ See supra note 13.

The proposed Maker rebate decrease in Penny and Non-Penny Classes applicable to Priority Customers and Professional Members in the specified Tiers is reasonable, equitable and not unfairly discriminatory because all similarly situated market participants are subject to the same tiered rebates and fees and access to the Exchange is offered on terms that are not unfairly discriminatory. For competitive and business reasons, the Exchange initially set its Maker rebates for Priority Customer and Professional Member orders higher than certain other options exchanges that operate comparable maker/taker pricing models.²⁰ The Exchange now believes that it is appropriate to decrease those Maker rebates so that they are more in line with other exchanges, and will still remain highly competitive such that they should enable the Exchange to continue to attract order flow and grow market share.

The proposal to provide alternative Maker rebates for options transactions in all classes for Professional Members, provided that the Member meets certain volume criteria (the Member and their Affiliates execute at least 1.50% volume in the relevant month, in Priority Customer Origin type, in all options classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes), is reasonable, equitable and not unfairly discriminatory because all similarly situated market participants are subject to the same tiered rebates and fees and access to the Exchange is offered on terms that are not unfairly discriminatory. The Exchange believes that providing alternative Maker rebates for options transactions in all classes for Professional Members (if the Member meets certain volume criteria relating to Priority Customer volume) will encourage Members to execute additional Priority Customer and Professional Member volume on the Exchange. The Exchange believes that additional Priority

²⁰ See supra note 14.

Customer and Professional Member volume executed on the Exchange will attract further liquidity to the Exchange, which in turn will benefit all market participants.

The Exchange's proposal to modify the Alternative Volume Criteria for Tier 4 based on SPY volume executed on the Exchange is reasonable, equitable, and not unfairly discriminatory, since it is intended to incentivize order flow in increased volume levels to be sent to the Exchange for execution in an actively traded options class. SPY options are the most actively traded class. The Exchange therefore believes that incentivizing Members that concentrate their trading activity in SPY options will consequently increase order flow sent to the Exchange, which will benefit all market participants through increased liquidity, tighter markets and order interaction.

The proposed Taker fee increases applicable to orders submitted by a Member for the account of Priority Customers and Professional Members are reasonable, equitable and not unfairly discriminatory because all option orders of the same origin type are subject to the same tiered Taker fees and access to the Exchange is offered on terms that are not unfairly discriminatory. The Exchange initially set its Taker fees at the various levels based upon business determinations and an analysis of current Taker fees and volume levels at other exchanges. For competitive and business reasons, the Exchange initially set its Taker fees for Priority Customer and Professional Member orders lower than certain other options exchanges that operate comparable maker/taker pricing models.²¹ The Exchange now believes that it is appropriate to increase those Taker fees so that they are more in line with other exchanges, and will still remain highly competitive such that they should enable the Exchange to continue to attract order flow and grow market share. The Exchange notes that, even as amended, its Taker

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Id.

fees for Priority Customers and Professional Members are generally lower than certain other options exchanges operating competing models.²² The Exchange believes for these reasons that increasing certain Taker fees for Priority Customer and Professional Member transactions in the specified Tiers is equitable, reasonable and not unfairly discriminatory, and thus consistent with the Act.

Furthermore, the proposed increases to the Taker fees for Priority Customer transactions promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in facilitating transactions in securities, and protects investors and the public interest, because even with the increases, the Exchange's proposed Taker fees for Priority Customer and Professional Member orders still remain highly competitive with certain other options exchanges offering comparable pricing models, and should enable the Exchange to continue to attract order flow and grow market share. The Exchange believes that the amount of such fees, as proposed to be increased, will continue to encourage Members to send Priority Customer and Professional Member orders to the Exchange. To the extent that order flow is increased by the proposal, market participants will increasingly compete for the opportunity to trade on the Exchange, including sending more orders which will have the potential to be assessed lower fees and higher rebates than certain other competing options exchanges. The resulting increased volume and liquidity will benefit all Exchange participants by providing more trading opportunities and tighter spreads.

The Exchange believes that its proposal to offer tiered Taker fees assessable to transactions solely in SPY, QQQ, IWM, and VXX options is consistent with other options markets that also assess different transaction fees for select option classes (including SPY, QQQ,

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Id.

IWM, and VXX) as compared to other option classes. The Exchange believes that establishing separate tiered pricing for these select products for Priority Customers is reasonable, equitable, and not unfairly discriminatory because these select products are generally more liquid than other option classes. Additionally, certain other competing options exchanges differentiate pricing in a similar manner.²³

The Exchange believes that the proposed non-substantive, technical corrections to the note beneath the transaction fee tables will promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system because it will improve the readability of the Fee Schedule. The proposed changes do not alter the substantive application of fees or rebates. As such, the proposed change is intended to foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. In particular, the Exchange believes that the proposed rule change will provide greater clarity to Members and the public regarding the Exchange's Fee Schedule, and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

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

MIAX PEARL does not believe that the proposed rule changes 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 in the Tier structure for the market participants should continue to encourage the provision of liquidity that enhances the quality of the

²³ See Nasdaq ISE Schedule of Fees, Section I, Regular Order Fees and Rebates; see also Nasdaq Options Market LLC ("NOM") Chapter XV, Section 2, "Nasdaq Options Market Fees and Rebates."

Exchange's markets and increases the number of trading opportunities on MIAX PEARL for all participants who will be able to compete for such opportunities. The proposed rule change should enable the Exchange to continue to attract and compete for order flow with other exchanges. However, this competition does not create an undue burden on competition but rather offers all market participants the opportunity to receive the benefit of competitive pricing.

The proposed Maker rebate decreases, alternative Maker rebates, and Taker fee increases as well as the tiered Taker fees for SPY, QQQ, IWM and VXX options, are intended to keep the Exchange's fees highly competitive with those of other exchanges, and to encourage liquidity and should enable the Exchange to continue to attract and compete for order flow with other exchanges which offer comparable Maker rebates and Taker fees and enhanced pricing on transactions in select symbols.

Further, the Exchange believes that the proposed modification to the alternative Volume Criteria threshold in Tier 4 based on SPY options volume applicable to Market Makers will continue to provide incentives to those Market Makers that concentrate their trading activity in SPY options to send additional SPY orders and creates additional opportunity for additional liquidity to the market.

The Exchange does not believe that the proposed rule change to make technical corrections to its rules will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. This aspect of the proposed rule change is not designed to address any competitive issues but rather is designed to add additional clarity and to remedy minor, non-substantive issues in the text of the Fee Schedule.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to

be excessive. In such an environment, the Exchange must continually adjust its rebates and fees to remain competitive with other exchanges and to attract order flow. The Exchange believes that the proposed rule changes reflect this competitive environment because they modify the Exchange's fees in a manner that encourages market participants to continue to provide liquidity and to send order flow to the Exchange.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁴ and Rule 19b-4(f)(2)²⁵ 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:

Electronic Comments:

²⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁵ 17 CFR 240.19b-4(f)(2).

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-PEARL-2018-13 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-PEARL-2018-13. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-PEARL-2018-13 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.²⁶

Eduardo A. Aleman
Assistant Secretary

²⁶ 17 CFR 200.30-3(a)(12).