

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-ISE-2018-66 and should be submitted on or before September 7, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Robert W. Errett,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83835; File No. SR-PEARL-2018-15]

### Self-Regulatory Organizations; MIAx PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to the Exchange Rule 514 Priority on the Exchange

August 13, 2018.

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 August 1, 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 Exchange Rule 514, Priority on the Exchange.

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

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

###### 1. Purpose

The Exchange proposes to amend Exchange Rule 514, Priority on the Exchange. Specifically, the Exchange proposes to amend subsection (c), Self-Trade Protection, to broaden the protection afforded under the current rule by giving Members <sup>3</sup> the option to have this protection apply at the market participant identifier (“MPID”) <sup>4</sup> level (*i.e.*, currently existing functionality), or at the firm level. The Exchange believes that this enhancement will provide helpful flexibility for market making firms that wish to prevent trading against all orders entered by their firm under any MPID, instead of just those entered under the same MPID.

Currently, the rule prevents orders entered by a Market Maker <sup>5</sup> via the MEO Interface <sup>6</sup> or the FIX Interface <sup>7</sup> using the same MPID from executing against orders entered on the opposite side of the market by the same Market

Maker using the same MPID via the MEO Interface or the FIX Interface.<sup>8</sup> In such a case, the System <sup>9</sup> will cancel the oldest of the orders back to the entering party prior to execution.

Members of the Exchange may either be Market Makers or Electronic Exchange Members.<sup>10</sup> Each Market Maker and Electronic Exchange Member is assigned an MPID by the Exchange for identification purposes. A Member may have multiple Market Maker MPIDs on the Exchange, therefore the possibility exists that a Member may cross its own Market Maker’s orders.<sup>11</sup>

The Exchange now proposes to allow members to choose to have this protection applied at either the MPID level, as currently implemented, or at the member firm level. If members choose to have this protection applied at the member firm level, the System will prohibit orders entered from different MPIDs within the Member’s firm from trading against one another. The Exchange believes that the proposed enhancement will provide Members with more tailored self-trade functionality that will allow Members to manage their trading as appropriate based on the Member’s business needs. While the Exchange believes that some firms will want to restrict trading interest from the same MPID, (as currently implemented), the Exchange believes that other firms will find it helpful to apply self-trade protection across all MPIDs of the same firm.

The Exchange note that similar functionality also exists on the Nasdaq Stock Market (“NASDAQ”) which prevents self-trades by MPID, or alternatively, if selected by the member, self-trade protection for all MPIDs of the firm.<sup>12</sup> Cboe BZX Exchange (“CboeBZX”) also has a similar rule in place which provides members the ability to apply Match Trade Prevention (“MTP”) modifiers (CboeBZX’s version

<sup>3</sup> The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of MIAx PEARL 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 Exchange Rule 100.

<sup>4</sup> The term “MPID” means unique market participant identifier. See Exchange Rule 100.

<sup>5</sup> The term “Market Maker” or “MM” means a Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of the MIAx PEARL Rules. See Exchange Rule 100.

<sup>6</sup> The term “MEO Interface” means a binary order interface used for submitting certain order types (as set forth in Rule 516) to the MIAx PEARL System. See Exchange Rule 100.

<sup>7</sup> The term “FIX Interface” means the Financial Information Exchange interface used for submitting certain order types (as set forth in Rule 516) to the MIAx PEARL System. See Exchange Rule 100.

<sup>8</sup> See Exchange Rule 514(c)(1).

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

<sup>10</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 or Non-Customer Orders on the Exchange and those non-Market Maker Members conducting proprietary trading. Electronic Exchange Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

<sup>11</sup> The Exchange notes that if requested by an EEM, orders entered by an EEM via the MEO Interface using the same MPID will not be executed against orders entered on the opposite side of the market by the same EEM using the same MPID via the MEO Interface. In such a case, the System will cancel the oldest of the orders back to the entering party prior to execution. See Exchange Rule 514(c)(2).

<sup>12</sup> See Nasdaq Stock Market Rule, Chapter VI, Sec. 18(c)(1).

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

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

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

of self-trade protection) based on MPID, Exchange Member, trading group, or Exchange Sponsored Participant identifiers.<sup>13</sup>

The Exchange will announce the implementation date of this functionality via a Regulatory Circular prior to the functionality being available on the Exchange.

## 2. Statutory Basis

MIA X PEARL believes that its proposed rule changes are consistent with Section 6(b) of the Act<sup>14</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>15</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in 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 the proposed changes 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 by providing Market Makers with additional flexibility to configure self-trade protections offered by the Exchange. Currently, all Market Makers are provided functionality that prevents orders entered by a Market Maker via the MEO Interface or the FIX Interface using the same MPID from executing against orders entered on the opposite side of the market by the same Market Maker using the same MPID via the MEO Interface or the FIX Interface.

While this functionality is helpful, some members would prefer not to trade with orders entered under different MPIDs of the same firm. Therefore, the Exchange is proposing to provide Exchange Members flexibility with respect to how self-trade protections are implemented. Members may continue to use the current functionality, while members who prefer to prevent self-trades across different MPIDs within the same firm will now be provided with functionality that allows them to do so.

Similar functionality exists on the Nasdaq Stock Market and CboeBZX<sup>16</sup> and the Exchange believes that the flexibility to apply self-trade protection at either the MPID or firm level would

be useful to Members of MIA X PEARL. The Exchange also believes that the proposed rule change is designed to promote just and equitable principles of trade and will remove impediments to and perfect the mechanisms of a free and open market as it will enhance self-trade protections provided to MIA X PEARL Market Makers similar to those protections provided on other markets.

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

MIA X PEARL does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is designed to enhance the Exchange's current self-trade protection, and will benefit members that wish to protect their orders from trading with orders from other Market Makers within the same firm, rather than the more limited MPID standard currently in use. The new functionality, which is similar to functionality already provided on CboeBZX, is also completely voluntary, and members that wish to use the current functionality may continue to do so. The Exchange does not believe that providing more flexibility to members will have any significant impact on competition. Conversely, the Exchange believes that the proposed rule change will foster competition as Market Makers may send more orders to the Exchange knowing that there is no chance that they will trade with their own orders on the other side of the market. This could result in more order flow and more liquidity on the Exchange.

The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition as self-trade protection is available to all Market Makers on the Exchange. Further, the Exchange does not believe that the proposed rule change will impose any burden on inter-market competition, and rather could potentially promote inter-market competition and result in more competitive order flow to the Exchange by more widely preventing Market Makers from trading with their own orders.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>17</sup> and Rule 19b-4(f)(6)<sup>18</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:

### Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-PEARL-2018-15 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-2018-15. This file number should be included on the subject line if email 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

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>13</sup> See Cboe BZX Exchange Rule 11.9(f).

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

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

<sup>16</sup> See *supra* note 12 and 13.

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-2018-15 and should be submitted on or before September 7, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Robert W. Errett,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83831; File No. SR-CboeBYX-2018-014]

### Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To Make Permanent Rule 11.24, Which Sets Forth the Exchange's Pilot Retail Price Improvement Program

August 13, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 30, 2018, Cboe BYX Exchange, Inc. (the "Exchange" or "BYX") filed with the Securities and Exchange Commission ("Commission") the 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 filed a proposal to make permanent Rule 11.24, which sets forth the Exchange's pilot Retail Price Improvement Program.

The text of the proposed rule change is available at the Exchange's website at [www.markets.cboe.com](http://www.markets.cboe.com), at the principal office of the Exchange, 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 in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

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

###### 1. Purpose

The purpose of the proposed rule change is to amend Rule 11.24 to make permanent the Retail Price Improvement Program (the "Program"), which is currently offered on a pilot basis. The Exchange has operated the pilot for a six year period and believes that it has been successful in its stated goal of providing price improvement opportunities to retail investors. The analysis conducted by the Exchange shows that retail investors have been provided a total of \$4.5 million of price improvement during the 2.5 year period reviewed from January 2016 through June 2018. In addition, the Exchange's analysis shows that the Program has provided these benefits to retail investors without having an adverse impact on the broader market. The proposal provides an analysis of the economic benefits to retail investors and the marketplace flowing from operation of the Program, which the Exchange believes supports making the Program permanent.

#### Background

In November 2012, the Commission approved the Program on a pilot basis.<sup>3</sup> The Program is designed to attract retail order flow to the Exchange, and allow such order flow to receive potential price improvement. The Program is currently limited to trades occurring at prices equal to or greater than \$1.00 per share.<sup>4</sup> Under the Program, a class of market participant called a Retail Member Organization ("RMO") is eligible to submit certain retail order flow ("Retail Orders") to the Exchange. Users<sup>5</sup> are permitted to provide potential price improvement for Retail Orders<sup>6</sup> in the form of non-displayed interest that is better than the national best bid that is a Protected Quotation ("Protected NBB") or the national best offer that is a Protected Quotation ("Protected NBO", and together with the Protected NBB, the "Protected NBBO").<sup>7</sup> The Program was approved by the Commission on a pilot basis running one-year from the date of implementation.<sup>8</sup> The Commission approved the Program on November 27, 2012.<sup>9</sup> The Exchange implemented the Program on January 11, 2013, and has extended the pilot period five times.<sup>10</sup>

<sup>3</sup> See Securities Exchange Act Release No. 68303 (November 27, 2012), 77 FR 71652 (December 3, 2012) ("RPI Approval Order") (SR-BYX-2012-019).

<sup>4</sup> The Exchange will periodically notify the membership regarding the securities included in the Program through an information circular.

<sup>5</sup> A "User" is defined in Rule 1.5(cc) as any member or sponsored participant of the Exchange who is authorized to obtain access to the System.

<sup>6</sup> A "Retail Order" is defined in Rule 11.24(a)(2) as an agency order that originates from a natural person and is submitted to the Exchange by a RMO, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any computerized methodology. See Rule 11.24(a)(2).

<sup>7</sup> The term Protected Quotation is defined in BYX Rule 1.5(t) and has the same meaning as is set forth in Regulation NMS Rule 600(b)(58). The terms Protected NBB and Protected NBO are defined in BYX Rule 1.5(s). The Protected NBB is the best-priced protected bid and the Protected NBO is the best-priced protected offer. Generally, the Protected NBB and Protected NBO and the national best bid ("NBB") and national best offer ("NBO", together with the NBB, the "NBBO") will be the same. However, a market center is not required to route to the NBB or NBO if that market center is subject to an exception under Regulation NMS Rule 611(b)(1) or if such NBB or NBO is otherwise not available for an automatic execution. In such case, the Protected NBB or Protected NBO would be the best-priced protected bid or offer to which a market center must route interest pursuant to Regulation NMS Rule 611.

<sup>8</sup> See RPI Approval Order, *supra* note 3 at 71652.

<sup>9</sup> *Id.*

<sup>10</sup> See Securities Exchange Act Release Nos. 71249 (January 7, 2014), 79 FR 2229 (January 13, 2014) (SR-BYX-2014-001); 74111 (January 22, 2015), 80 FR 4598 (January 28, 2015) (SR-BYX-2015-05); 76965 (January 22, 2016), 81 FR 4682 (January 27, 2016) (SR-BYX-2016-01); 78180 (June

<sup>19</sup> 17 CFR 200.30-3(a)(12).

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

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