

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 24	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 25 Amendment No. (req. for Amendments *)
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Filing by MIAX PEARL, LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" 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) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

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

Amend Exchange Rule 519

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 * Gregory Last Name * Ziegler
 Title * Senior Associate Counsel
 E-mail * gziegler@miaxoptions.com
 Telephone * (609) 897-1483 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)
Senior Associate Counsel

Date 12/12/2018
By Gregory P. Ziegler (Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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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 *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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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 the “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² proposes to amend Exchange Rule 519, MIAX PEARL Order Monitor (“MOM”).

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX PEARL Board of Directors on December 7, 2017. 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 Gregory P. Ziegler, Senior Associate Counsel, at (609) 897-1483.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend Exchange Rule 519, MIAX PEARL Order Monitor (“MOM”). Specifically, the Exchange proposes to amend subsection (a)(3) to adopt new subsection (a)(3) and new subsection (a)(4) to reorganize the rule text for simplicity and to make clarifying changes to add additional detail to align the rule to the System’s³ behavior.

Current subsection (a)(3), Limit Orders to Buy Or Sell, provides that the System will reject an incoming limit order from a Market Maker⁴ or an EEM⁵ that crosses the contra-side NBBO⁶ by at least (i) 50% of the opposite side NBBO where the minimum crossing price is \$0.25, or (ii) \$2.50, whichever is less. The rule provides the following examples to illustrate those situations where lower priced limit orders are rejected because they cross the NBBO by at least 50%: (A) (1) if the NBBO on the offer side is \$4.00, an order to buy options for \$6.00 or more will be rejected; and (2) if the NBBO on the bid side is \$4.00, an order to sell options for \$2.00 or less will be rejected. (B) The following are examples of those situations where higher

³ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁴ The term “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.

⁵ 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.

⁶ The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

priced limit orders are rejected because they cross the NBBO by \$2.50 or more: (1) if the NBBO on the offer side is \$12.00, an order to buy options for \$14.50 or more will be rejected and (2) if the NBBO on the bid side is \$12.00, an order to sell options for \$9.50 or less will be rejected. (C) The following examples illustrate the effect of the qualifier that the minimum crossing price of a limit order that crosses the NBBO by at least 50% must be at least \$0.25: (1) if the NBBO on the offer side is \$0.10, an order to buy options for \$0.15 will not be rejected because the minimum crossing price is not \$0.25 even though the order crosses the contra-side NBBO by 50%; and (2) if the NBBO on the offer side is \$0.50, an order to buy options for \$0.75 or more will be rejected because it crosses by 50% of the opposite side NBBO and it meets the minimum price of \$0.25.

The Exchange now proposes to amend current subsection (3) to create a separate subsection for limit orders to buy (proposed subsection (3)), and for limit orders to sell (proposed subsection (4)). The Exchange believes that creating separate subsections dedicated to buys and sells will provide clarity and additional detail to the Exchange's rule.

Proposed subsection (3), Limit Orders to Buy, will provide that for options with a National Best Offer ("NBO") greater than \$0.50 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price equal to or greater than the NBO by the lesser of (i) \$2.50, or (ii) 50% of the NBO price. This provision is identical in operation as the current rule provision. The proposed rule will also provide that for options with an NBO less than or equal to \$0.50 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price that is equal to or greater than the NBO price by \$0.25. This provision clarifies the current provision and more accurately defines the concept of crossing price which is used in the current rule.

Similar to the current rule, examples are included in the proposed rule to demonstrate the operation of the rule in different circumstances. The proposed examples provide that (A) if the NBO is \$12.00 an incoming limit order to buy options for \$14.50 or more will be rejected; and (B) if the NBO is \$0.10 an incoming limit order to buy options for \$0.15 will not be rejected; whereas if the NBO is \$0.10 an incoming limit order to buy options for \$0.35 will be rejected as the limit price of the order is \$0.25 greater than the NBO. Proposed example A provides an example of an order being rejected when the order's limit price (\$14.50) is greater than the NBO (\$12.00) by the lesser of \$2.50 or 50% of the NBO price (\$6.00). Proposed example B demonstrates how the MOM protection works when the NBO of the option is \$0.50 or less. If the NBO is \$0.10 an incoming limit order to buy options for \$0.15 will not be rejected as the order's limit price is not \$0.25 greater (\$0.35) than the NBO price. Example B also demonstrates the scenario where an order with a limit price \$0.25 greater than the NBO will be rejected.

Proposed subsection (4) Limit Orders to Sell, will provide that for options with a National Best Bid ("NBB") equal to or greater than \$0.25 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price equal to or less than the NBB by the lesser of (i) \$2.50, or (ii) 50% of the NBB price. The current rule similarly provides that the System will reject an incoming limit order from a Market Maker or an EEM that crosses the contra-side NBBO by at least 50% of the opposite side NBBO, but that also has a minimum crossing price of \$0.25. When the NBB is \$0.25 or less it is not feasible for an incoming limit order to be priced 50% through the NBB and also have a crossing price of \$0.25. Therefore, the Exchange is proposing to add rule text to clarify that for options with an NBB of \$0.25 or less the System will accept any incoming limit order to sell from a Market Maker or an EEM. When the NBB is greater than \$0.50 any incoming limit order to sell priced 50% through the NBB will

be for an amount greater than \$0.25 and will be rejected. The Exchange now proposes to align the rule text to the current System behavior in certain instances where the NBB is greater than \$0.25 but less than \$0.50. Within this NBB range, the Exchange may receive an order that is priced greater than 50% through the NBB but that does not reach the \$0.25 threshold. For example, an incoming limit order to sell with a limit price of \$0.10, when the NBB is \$.30, is priced more than 50% through the NBB, but is only \$0.20 away from the NBB. The Exchange's System currently rejects this order and the Exchange is proposing to amend its rule to remove the \$0.25 crossing price condition as the Exchange believes that orders that cross the NBB by at least 50% when the NBB is greater than \$0.25 should be rejected. This provision provides clarity and additional detail regarding the handling of incoming limit orders to sell that are received when the NBB is greater than or less than \$0.25.

Additionally, the proposed rule will include examples to demonstrate the operation of the rule in different circumstances. The proposed examples provide that (A) if the NBB is \$12.00 an incoming limit order to sell options for \$9.50 or less will be rejected; and (B) if the NBB is \$0.30 an incoming limit order to sell options for \$0.15 will be rejected; whereas if the NBB is \$0.30 an incoming limit order to sell options for \$0.20 will not be rejected as the limit price of the order is not less than 50% of the NBB price. Proposed example A provides an example of an order being rejected when the order's limit price (\$9.50) is less than the NBB (\$12.00) by the lesser of \$2.50 or 50% of the NBB price (\$6.00). Proposed example B demonstrates how the MOM protection works when the NBB of the option is greater than \$0.25.

The Exchange believes its proposed changes provide additional detail and clarity to the Exchange's rules concerning order protections for incoming limit orders to buy and sell.

b. Statutory Basis

MIAX PEARL believes that its proposed rule change is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act⁸ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed changes to its rulebook add additional detail and provide further clarification to Members,⁹ investors, and the public, regarding the Exchange's order monitoring functionality. The Exchange believes it is in the interest of investors and the public to accurately describe the behavior of the Exchange's System in its rules as this information may be used by investors to make decisions concerning the submission of their orders. Transparency and clarity are consistent with the Act because it removes impediments to and helps perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest by accurately describing the behavior of the Exchange's System.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 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.

Currently the Exchange's rule discusses the operation of the MIAX PEARL Order Monitor on incoming limit orders to buy or incoming limit orders to sell in a single paragraph.¹⁰ The Exchange now proposes to provide separate rule text specifically discussing the MIAX PEARL Order Monitor process for incoming limit orders to buy (proposed paragraph (a)(3)) and for incoming limit orders to sell (proposed paragraph (a)(4)). The Exchange believes that the proposed changes promote just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market and a national market system and, in general, protects investors and the public interest by providing additional detail and clarity in the Exchange's rules. Further, the Exchange believes that providing a clear line of delineation for the treatment of orders received when the NBB is less than or greater than \$0.25 benefits investors and the public by establishing clear and unambiguous thresholds regarding the acceptance or rejection of orders. Further, the Exchange's proposal provides transparency and clarity in the rules and is consistent with the Act because it removes impediments to and helps perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest by accurately describing the behavior of the Exchange's System. In particular, the Exchange believes that the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules, and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

¹⁰ See Exchange Rule 518(a)(3).

proposed rule change does not alter any functionality of the Exchange's System and is designed to add additional clarity and detail to the Exchange's rules.

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition as the Rules apply equally to all Exchange Members. The proposed rule change is not a competitive filing and is intended to enhance the protection of investors by ensuring that the rule clearly and accurately describes the scenarios when a limit order to buy or a limit order to sell will be rejected by the Exchange's System. Additionally, the proposed rule change provides examples of hypothetical scenarios to provide additional detail and clarity to the Exchange's rulebook.

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

No written comments were either solicited or received.

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

Not applicable.

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

Pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6)¹² thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

The Exchange's proposal does not alter any Exchange functionality and provides additional detail and clarification to the existing rule text. The proposal does not significantly affect the protection of investors or the public interest but rather promotes the protection of investors and the public interest by adding additional detail and precision to the Exchange's rules. It is in the best interest of the public and investors for Exchange rules to be clear and concise so as to avoid the potential for confusion.

The Exchange does not believe that the proposed rule change imposes any significant burden on competition as the proposed rule change provides additional detail and clarity to the Exchange's rulebook regarding the MIAX PEARL Order Monitoring functionality as it applies to incoming limit orders to buy and incoming limit orders to sell.

Therefore, the Exchange believes that the proposed rule change is well-suited for, and meets the standards applicable to, the Commission's treatment of non-controversial proposals under Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴ Accordingly, for the reasons stated above, the Exchange believes that the proposed rule change is non-controversial and is therefore eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

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.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

The proposed rule change is not based on rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

5. Text of proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-PEARL-2018-25)

December __, 2018

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC to Exchange Rule 519, MIAX PEARL Order Monitor (“MOM”)

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 December 12, 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 519, MIAX PEARL Order Monitor (“MOM”).

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 Exchange Rule 519, MIAX PEARL Order Monitor (“MOM”). Specifically, the Exchange proposes to amend subsection (a)(3) to adopt new subsection (a)(3) and new subsection (a)(4) to reorganize the rule text for simplicity and to make clarifying changes to add additional detail to align the rule to the System’s³ behavior.

Current subsection (a)(3), Limit Orders to Buy Or Sell, provides that the System will reject an incoming limit order from a Market Maker⁴ or an EEM⁵ that crosses the contra-side NBBO⁶ by at least (i) 50% of the opposite side NBBO where the minimum crossing price is \$0.25, or (ii) \$2.50, whichever is less. The rule provides the following examples to illustrate those situations where lower priced limit orders are rejected because they cross the NBBO by at least 50%: (A) (1) if the NBBO on the offer side is \$4.00, an order to buy options for \$6.00 or more will be rejected; and (2) if the NBBO on the bid side is \$4.00, an order to sell options for

³ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁴ The term “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.

⁵ 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.

⁶ The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

\$2.00 or less will be rejected. (B) The following are examples of those situations where higher priced limit orders are rejected because they cross the NBBO by \$2.50 or more: (1) if the NBBO on the offer side is \$12.00, an order to buy options for \$14.50 or more will be rejected and (2) if the NBBO on the bid side is \$12.00, an order to sell options for \$9.50 or less will be rejected. (C) The following examples illustrate the effect of the qualifier that the minimum crossing price of a limit order that crosses the NBBO by at least 50% must be at least \$0.25: (1) if the NBBO on the offer side is \$0.10, an order to buy options for \$0.15 will not be rejected because the minimum crossing price is not \$0.25 even though the order crosses the contra-side NBBO by 50%; and (2) if the NBBO on the offer side is \$0.50, an order to buy options for \$0.75 or more will be rejected because it crosses by 50% of the opposite side NBBO and it meets the minimum price of \$0.25.

The Exchange now proposes to amend current subsection (3) to create a separate subsection for limit orders to buy (proposed subsection (3)), and for limit orders to sell (proposed subsection (4)). The Exchange believes that creating separate subsections dedicated to buys and sells will provide clarity and additional detail to the Exchange's rule.

Proposed subsection (3), Limit Orders to Buy, will provide that for options with a National Best Offer ("NBO") greater than \$0.50 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price equal to or greater than the NBO by the lesser of (i) \$2.50, or (ii) 50% of the NBO price. This provision is identical in operation as the current rule provision. The proposed rule will also provide that for options with an NBO less than or equal to \$0.50 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price that is equal to or greater than the NBO price by \$0.25. This provision clarifies the current provision and more accurately defines the concept of crossing price which is used in the current rule.

Similar to the current rule, examples are included in the proposed rule to demonstrate the operation of the rule in different circumstances. The proposed examples provide that (A) if the NBO is \$12.00 an incoming limit order to buy options for \$14.50 or more will be rejected; and (B) if the NBO is \$0.10 an incoming limit order to buy options for \$0.15 will not be rejected; whereas if the NBO is \$0.10 an incoming limit order to buy options for \$0.35 will be rejected as the limit price of the order is \$0.25 greater than the NBO. Proposed example A provides an example of an order being rejected when the order's limit price (\$14.50) is greater than the NBO (\$12.00) by the lesser of \$2.50 or 50% of the NBO price (\$6.00). Proposed example B demonstrates how the MOM protection works when the NBO of the option is \$0.50 or less. If the NBO is \$0.10 an incoming limit order to buy options for \$0.15 will not be rejected as the order's limit price is not \$0.25 greater (\$0.35) than the NBO price. Example B also demonstrates the scenario where an order with a limit price \$0.25 greater than the NBO will be rejected.

Proposed subsection (4) Limit Orders to Sell, will provide that for options with a National Best Bid ("NBB") equal to or greater than \$0.25 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price equal to or less than the NBB by the lesser of (i) \$2.50, or (ii) 50% of the NBB price. The current rule similarly provides that the System will reject an incoming limit order from a Market Maker or an EEM that crosses the contra-side NBBO by at least 50% of the opposite side NBBO, but that also has a minimum crossing price of \$0.25. When the NBB is \$0.25 or less it is not feasible for an incoming limit order to be priced 50% through the NBB and also have a crossing price of \$0.25. Therefore, the Exchange is proposing to add rule text to clarify that for options with an NBB of \$0.25 or less the System will accept any incoming limit order to sell from a Market Maker or an EEM. When the NBB is greater than \$0.50 any incoming limit order to sell priced 50% through the NBB will be for an amount greater than \$0.25 and will be rejected. The Exchange now proposes to align

the rule text to the current System behavior in certain instances where the NBB is greater than \$0.25 but less than \$0.50. Within this NBB range, the Exchange may receive an order that is priced greater than 50% through the NBB but that does not reach the \$0.25 threshold. For example, an incoming limit order to sell with a limit price of \$0.10, when the NBB is \$.30, is priced more than 50% through the NBB, but is only \$0.20 away from the NBB. The Exchange's System currently rejects this order and the Exchange is proposing to amend its rule to remove the \$0.25 crossing price condition as the Exchange believes that orders that cross the NBB by at least 50% when the NBB is greater than \$0.25 should be rejected. This provision provides clarity and additional detail regarding the handling of incoming limit orders to sell that are received when the NBB is greater than or less than \$0.25.

Additionally, the proposed rule will include examples to demonstrate the operation of the rule in different circumstances. The proposed examples provide that (A) if the NBB is \$12.00 an incoming limit order to sell options for \$9.50 or less will be rejected; and (B) if the NBB is \$0.30 an incoming limit order to sell options for \$0.15 will be rejected; whereas if the NBB is \$0.30 an incoming limit order to sell options for \$0.20 will not be rejected as the limit price of the order is not less than 50% of the NBB price. Proposed example A provides an example of an order being rejected when the order's limit price (\$9.50) is less than the NBB (\$12.00) by the lesser of \$2.50 or 50% of the NBB price (\$6.00). Proposed example B demonstrates how the MOM protection works when the NBB of the option is greater than \$0.25.

The Exchange believes its proposed changes provide additional detail and clarity to the Exchange's rules concerning order protections for incoming limit orders to buy and sell.

2. Statutory Basis

MIAX PEARL believes that its proposed rule change is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act⁸ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed changes to its rulebook add additional detail and provide further clarification to Members,⁹ investors, and the public, regarding the Exchange's order monitoring functionality. The Exchange believes it is in the interest of investors and the public to accurately describe the behavior of the Exchange's System in its rules as this information may be used by investors to make decisions concerning the submission of their orders. Transparency and clarity are consistent with the Act because it removes impediments to and helps perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest by accurately describing the behavior of the Exchange's System.

Currently the Exchange's rule discusses the operation of the MIAX PEARL Order Monitor on incoming limit orders to buy or incoming limit orders to sell in a single paragraph.¹⁰

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 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.

¹⁰ See Exchange Rule 518(a)(3).

The Exchange now proposes to provide separate rule text specifically discussing the MIAX PEARL Order Monitor process for incoming limit orders to buy (proposed paragraph (a)(3)) and for incoming limit orders to sell (proposed paragraph (a)(4)). The Exchange believes that the proposed changes promote just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market and a national market system and, in general, protects investors and the public interest by providing additional detail and clarity in the Exchange's rules. Further, the Exchange believes that providing a clear line of delineation for the treatment of orders received when the NBB is less than or greater than \$0.25 benefits investors and the public by establishing clear and unambiguous thresholds regarding the acceptance or rejection of orders. Further, the Exchange's proposal provides transparency and clarity in the rules and is consistent with the Act because it removes impediments to and helps perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest by accurately describing the behavior of the Exchange's System. In particular, the Exchange believes that the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules, 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 change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change does not alter any functionality of the Exchange's System and is designed to add additional clarity and detail to the Exchange's rules.

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition as the Rules apply equally to all Exchange Members. The proposed rule change is not a competitive filing and is intended to enhance the protection of investors by

ensuring that the rule clearly and accurately describes the scenarios when a limit order to buy or a limit order to sell will be rejected by the Exchange's System. Additionally, the proposed rule change provides examples of hypothetical scenarios to provide additional detail and clarity to the Exchange's rulebook.

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 Act¹¹ and Rule 19b-4(f)(6)¹² 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.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
or
- Send an e-mail [to rule-comments@sec.gov](mailto:to-rule-comments@sec.gov). Please include File Number SR-PEARL-2018-25 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-2018-25. 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-2018-25 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.¹³

Brent J. Fields
Secretary

¹³ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined;

Deleted text is in [brackets]

MIAX PEARL, LLC Rules

Rule 519. MIAX PEARL Order Monitor (“MOM”)

(a) **Order Price Protections.** In order to avoid the occurrence of potential obvious or catastrophic errors on the Exchange, the System will take the following steps in accordance with the MIAX PEARL Order Monitor, which will prevent certain orders from executing or being placed on the Book at prices outside pre-set standard limits. Beginning after the Opening Process is complete, the MIAX PEARL Order Monitor will be operational each trading day until the close of trading. The MIAX PEARL Order Monitor will not be operational during a trading halt.

(1) Market Orders to Sell.

(i) If the Exchange upon initial receipt or reevaluation evaluates a market order from an EEM to sell an option when the national best bid is zero and the Exchange’s disseminated offer is equal to or less than \$0.10, the System will convert the market order to sell to a limit order to sell with a limit price of one Minimum Trading Increment. In this case, such sell orders will automatically be placed on the Book in time priority and will be displayed at the appropriate Minimum Price Variation.

(ii) If the Exchange upon initial receipt or reevaluation evaluates a market order from an EEM to sell an option when the national best bid is zero and the national best offer is greater than \$0.10, the System will cancel the market order to sell.

(2) Market Orders to Buy or Sell.

(i) If the differential between the bid and the offer of the NBBO is equal to or greater than \$5.00, market orders from an EEM to buy or sell will be rejected by the System upon receipt.

(ii) Notwithstanding the foregoing, certain options classes may be designated by the Exchange as Extended Market Width classes and as such will be exempt from subparagraph (a)(2)(i) above. A list of Extended Market Width classes will be made available to Members through the issuance of a Regulatory Circular.

[(3) **Limit Orders to Buy Or Sell.** The System will reject an incoming limit order from a Market Maker or an EEM that crosses the contra-side NBBO by at least (i) 50% of the opposite side NBBO where the minimum crossing price is \$0.25, or (ii) \$2.50, whichever is less. (A) The

following examples illustrate those situations where lower priced limit orders are rejected because they cross the NBBO by at least 50%: (1) if the NBBO on the offer side is \$4.00, an order to buy options for \$6.00 or more will be rejected; and (2) if the NBBO on the bid side is \$4.00, an order to sell options for \$2.00 or less will be rejected. (B) The following are examples of those situations where higher priced limit orders are rejected because they cross the NBBO by \$2.50 or more: (1) if the NBBO on the offer side is \$12.00, an order to buy options for \$14.50 or more will be rejected; and (2) if the NBBO on the bid side is \$12.00, an order to sell options for \$9.50 or less will be rejected. (C) The following examples illustrate the effect of the qualifier that the minimum crossing price of a limit order that crosses the NBBO by at least 50% must be at least \$0.25: (1) if the NBBO on the offer side is \$0.10, an order to buy options for \$0.15 will not be rejected because the minimum crossing price is not \$0.25 even though the order crosses the contra-side NBBO by 50%; and (2) if the NBBO on the offer side is \$0.50, an order to buy options for \$0.75 or more will be rejected because it crosses by 50% of the opposite side NBBO and it meets the minimum price of \$0.25.]

(3) **Limit Orders to Buy.** For options with a National Best Offer (“NBO”) greater than \$0.50 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price equal to or greater than the NBO by the lesser of (i) \$2.50, or (ii) 50% of the NBO price. For options with an NBO less than or equal to \$0.50 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price that is equal to or greater than the NBO price by \$0.25.

For example: (A) if the NBO is \$12.00 an incoming limit order to buy options for \$14.50 or more will be rejected; and (B) if the NBO is \$0.10 an incoming limit order to buy options for \$0.15 will be not rejected; whereas if the NBO is \$0.10 an incoming limit order to buy options for \$0.35 will be rejected as the limit price of the order is \$0.25 greater than the NBO.

(4) **Limit Orders to Sell.** For options with a National Best Bid (“NBB”) equal to or greater than \$0.25 the System will reject an incoming limit order from a Market Maker or an EEM that has a limit price equal to or less than the NBB by the lesser of (i) \$2.50, or (ii) 50% of the NBB price. For options with an NBB of \$0.25 or less the System will accept any incoming limit order from a Market Maker or an EEM.

For example: (A) if the NBB is \$12.00 an incoming limit order to sell options for \$9.50 or less will be rejected, and (B) if the NBB is \$0.30 an incoming limit order to sell options for \$0.15 will be rejected; whereas if the NBB is \$0.30 an incoming limit order to sell options for \$0.20 will be not be rejected as the limit price of the order is not less than 50% of the NBB price.
