

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-85438; File No. SR-PEARL-2019-10)

March 28, 2019

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami PEARL, LLC to Amend Exchange Rule 404, Series of Option Contracts Open for Trading

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 March 21, 2019, Miami PEARL, LLC (“MIAX PEARL” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, and II 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 Rule 404, Series of Option Contracts Open for Trading, to allow the addition of new series of options on an individual stock until the close of trading on the business day prior to expiration in unusual market conditions.

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

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

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

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 404, Series of Option Contracts Open for Trading, to allow the addition of new series of options on an individual stock until the close of trading on the business day prior to expiration in unusual market conditions. This is a competitive proposal based on a filing submitted by Cboe Exchange, Inc. ("Cboe") to the Commission.<sup>3</sup>

Currently, under Exchange Rule 404(e), when faced with unusual market conditions, the Exchange may add new series of options on an individual stock until the close of trading on the second business day prior to expiration. In 2013, the Options Clearing Corporation ("OCC") implemented a transition for standard option monthly expiration processing from Saturday to Friday. Accordingly, the Exchange's affiliate, Miami International Securities Exchange, LLC ("MIAX Options"), along with other exchanges, updated its rules to reflect the OCC change, referencing Friday expiration dates to replace Saturday expiration dates for all options expiring on or after February 1, 2015.<sup>4</sup> MIAX Options also replaced any historic references to expiration dates with Friday expiration. At that time, other exchanges amended their rules to differentiate

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<sup>3</sup> See Securities Exchange Act Release No. 85205 (February 27, 2019), 84 FR 7949 (March 5, 2019)(SR-CBOE-2019-013).

<sup>4</sup> See MIAX PEARL Chapter VII, incorporating by reference MIAX Options Rule 700, which changed the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday. See also Securities Exchange Act Release No. 69996 (July 17, 2013), 78 FR 44183 (July 23, 2013)(SR-MIAX-2013-32).

between Friday and Saturday or non-business day expirations during the transitional period.

Other exchanges specified that additional series of individual stock options may be added during unusual market conditions until the close of trading on the business day prior to expiration in the case of an option contract expiring on a business day (i.e., Thursday for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day until the close of trading on the second business day prior to expiration (i.e., Thursday for Saturday expirations).<sup>5</sup>

Consistent with the OCC initiative and industry-wide definition, the Exchange does not list series of option contracts with Saturday or non-business day expirations.<sup>6</sup> The Exchange thus proposes to amend Rule 404 to allow specifically for the addition of new series of options on an individual stock until the close of trading on the business day prior to expiration in unusual market conditions in line with other exchanges' timing requirements for listing series of options prior to expiration.

The Exchange seeks to introduce this proposed change to Exchange Rule 404 to create a uniform expiration date across exchanges for standard options on listed classes. The Exchange believes that keeping its rules consistent with those of the industry will protect all participants in the market by eliminating confusion, reducing the likelihood of rule violations due to discrepant industry rules, and by allowing for a more orderly market. In addition, the Exchange believes that keeping the proposed rule consistent with other exchange rules will foster better cooperation and coordination with persons engaged in regulating clearing, settling, processing information

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<sup>5</sup> See Securities Exchange Act Release Nos. 70900 (November 19, 2013), 78 FR 70382 (November 25, 2013)(SR-ISE-2013-58); 70746 (October 23, 2013), 78 FR 64563(October 29, 2013)(SR-BX-2013-055); 69659 (May 29, 2013), 78 FR 33461 (June 4, 2013)(SR-MIAX-2013-22).

<sup>6</sup> See supra note 4.

with respect to, and facilitating transactions in securities by aligning a pivotal part of the options processing to be consistent industry-wide.

The proposed rule change is similar to the filing submitted by the Exchange's affiliate, MIAX Options.

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>8</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 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.

Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that keeping its rules consistent with those of other exchanges and industry practices will protect all participants in the market by eliminating confusion, thus, preventing investor vulnerability to violating different exchange rules. Additionally, the proposed change will foster cooperation and coordination with persons engaged in regulating clearing, settling, processing information with respect to, and facilitating transactions in securities by aligning the timing of series of options listing during unusual market conditions to be consistent industry-wide. Further, as the industry-wide transition from Saturday

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

(and non-business day) expiration dates to Friday (or other business days) expiration dates was successful, the Exchange believes the proposed rule change will remove a discrepant industry impediment and allow for a more orderly market by permitting all options markets, including the clearing agencies, to have the same expiration date for series of options listed during periods of unusual market conditions. The proposed rule change also perfects the mechanism of a free and open market by allowing for the Exchange to list additional series of options on an individual stock closer to expiration during unusual market conditions thus better aligning the listed series of options with prices near expiration. Finally, the proposed rule change does not permit unfair discrimination between any Member as it applies to all Members equally.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to the proposal previously filed by Cboe with the Commission.<sup>9</sup> The proposed rule change will allow for the Exchange to list additional series of options on an individual stock closer to expiration during unusual market conditions thus better aligning the listed series of options with prices near expiration.

The Exchange also believes the proposed rule change will not impose any significant burden on competition. The proposed rule change has no impact on intramarket competition, as it will apply equally to all Members. Moreover, the proposed rule has no impact on intermarket competition, as it is a competitive response to proposals previously filed by Cboe with the

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<sup>9</sup> See supra note 3.

Commission.<sup>10</sup> The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition by allowing the Exchange to better align listed series of options with prices near expiration, and with expiration dates of other exchanges.

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 from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(6) thereunder.<sup>12</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>13</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>14</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay. The Exchange believes that waiver of the operative delay is consistent with the protection of investors and the public interest because it is substantially

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<sup>10</sup> See supra note 3.

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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> 17 CFR 240.19b-4(f)(6).

<sup>14</sup> 17 CFR 240.19b-4(f)(6)(iii).

similar in all material respects to a previous CBOE filing,<sup>15</sup> and does not raise any new or novel issues. For this reason, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.<sup>16</sup>

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 change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

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

SR-PEARL-2019-10 on the subject line.

##### Paper Comments:

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<sup>15</sup> See supra note 3.

<sup>16</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- 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-2019-10. 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-2019-10 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

Eduardo A. Aleman  
Deputy Secretary

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