

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85771; File No. SR-PEARL-2019-16)

May 3, 2019

Self-Regulatory Organizations; Miami PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 100, Definitions, Rule 200, Trading Permits, Chapter III, Business Conduct, Rule 506, Collection and Dissemination of Quotations, Chapter VII, Exercises and Deliveries, Chapter VIII, Records, Reports and Audits, Chapter IX, Summary Suspension, Chapter XI, Hearings, Review and Arbitration, Chapter XIII, Doing Business With The Public, Chapter XIV, Order Protection, Locked and Crossed Markets, Chapter XV, Margins, Chapter XVI, Net Capital Requirements, Chapter XVII, Consolidated Audit Trail Compliance Rule and Chapter XVIII, Index Options

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 April 24, 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, 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 make a number of minor, non-substantive edits to Exchange Rule 100, Definitions, Rule 200, Trading Permits, Chapter III, Business Conduct, Rule 506, Collection and Dissemination of Quotations, Chapter VII, Exercises and Deliveries, Chapter VIII, Records, Reports and Audits, Chapter IX, Summary Suspension, Chapter XI, Hearings, Review and Arbitration, Chapter XIII, Doing Business With The Public, Chapter XIV, Order Protection, Locked and Crossed Markets, Chapter XV, Margins, Chapter XVI, Net Capital

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Requirements, Chapter XVII, Consolidated Audit Trail Compliance Rule and Chapter XVIII, Index Options for purposes of clarification and uniformity.

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 100, Definitions, to make minor non-substantive edits to harmonize the rule text to that of the Exchange's affiliate, MIAX Emerald, LLC ("MIAX Emerald"). Currently, Exchange Rule 100 does not include a definition for the Exchange's affiliate, MIAX Emerald. In order to ensure conformity, the Exchange proposes to amend Exchange Rule 100 to adopt the definition for MIAX Emerald that is nearly identical to rule text found in MIAX Emerald Rule 100. Accordingly, MIAX PEARL proposes to adopt the following definition for MIAX Emerald to be included in Exchange Rule 100: "The term 'MIAX Emerald' means MIAX Emerald, LLC." The Exchange believes that adopting the definition of the Exchange's affiliate, MIAX Emerald, in Exchange Rule 100 creates consistency between MIAX PEARL and MIAX Emerald.

The Exchange also proposes to amend Exchange Rule 100 to make a minor non-substantive edit by deleting the term “PEARL” and its definition for purposes of clarification and uniformity throughout the Exchange’s rulebook as well as to conform the term “MIAX PEARL” to how it is defined by the Exchange’s affiliates, Miami International Securities Exchange, LLC (“MIAX”) and MIAX Emerald. Currently, the Exchange’s rulebook makes references to “MIAX PEARL” as well as “PEARL.” All references to MIAX PEARL in the rule text of the Exchange, as well as the rule text of MIAX and MIAX Emerald, should be to “MIAX PEARL,” and not the single term “PEARL.” Accordingly, the Exchange proposes to delete the singular term “PEARL” and its definition in Exchange Rule 100.

The Exchange also proposes to amend the definitions for “Exchange” and “MIAX PEARL” in Exchange Rule 100 in order to delete the part of the definition for “Exchange” and “MIAX PEARL” which currently provide that the singular term “PEARL” is a reference to MIAX PEARL. Exchange Rule 100 currently defines Exchange as follows: “The term ‘Exchange’ means the national securities exchange known as MIAX PEARL, LLC, MIAX PEARL or PEARL.” Pursuant to this proposal, the definition for Exchange would be as follows: “The term ‘Exchange’ means the national securities exchange known as MIAX PEARL, LLC, or MIAX PEARL.” Exchange Rule 100 currently defines MIAX PEARL as follows: “The term ‘MIAX PEARL’ means the MIAX PEARL, LLC, the Exchange or PEARL.” Pursuant to this proposal, the definition for MIAX PEARL would be as follows: “The term ‘MIAX PEARL’ means the MIAX PEARL, LLC, or the Exchange.”

Next, the Exchange proposes to amend several rules and chapters to make minor non-substantive edits to harmonize the rule text to that of the Exchange’s affiliates, MIAX and MIAX Emerald. Presently, MIAX is referred to in the Exchange’s rulebook as “MIAX Options

Exchange.” The Exchange proposes to delete the words “Options Exchange” from all references to MIAX throughout the Exchange’s rulebook. Exchange Rule 100 currently defines MIAX as follows: “The term ‘MIAX Options Exchange’ means Miami International Securities Exchange, LLC.” Pursuant to this proposal, the definition for MIAX would be as follows: “The term ‘MIAX’ means Miami International Securities Exchange, LLC.” The Exchange also proposes that all other references throughout the Exchange’s rulebook to “MIAX Options Exchange” would be amended to delete the words “Options Exchange,” such that all references will be to the singular word “MIAX.” The proposed amendments would be to “MIAX Options Exchange” references in Rule 200, Trading Permits, Chapter III, Business Conduct, Chapter VII, Exercises and Deliveries, Chapter VIII, Records, Reports and Audits, Chapter IX, Summary Suspension, Chapter XI, Hearings, Review and Arbitration, Chapter XIII, Doing Business With The Public, Chapter XIV, Order Protection, Locked and Crossed Markets, Chapter XV, Margins, Chapter XVI, Net Capital Requirements, Chapter XVII, Consolidated Audit Trail Compliance Rule and Chapter XVIII, Index Options. This proposal is for purposes of clarification and uniformity throughout the Exchange’s rulebook as well as to conform the term “MIAX” to how it is defined by the Exchange’s affiliates, MIAX and MIAX Emerald.³

Next, the Exchange proposes to amend Exchange Rule 200, Trading Permits, to adopt similar rule text for the waive-in application process to obtain a trading permit for MIAX PEARL that is currently in place on MIAX Emerald for applicants holding a MIAX or MIAX Emerald trading permit. MIAX Emerald Rule 200 provides that a holder of a MIAX or MIAX PEARL trading permit in good standing is eligible to receive one MIAX Emerald trading permit

³ See MIAX Rule 100 and MIAX Emerald Rule 100.

in the same Membership category to trade on MIAX Emerald.⁴ Member⁵ applicants of MIAX and MIAX PEARL are not required to submit a full application for membership on MIAX Emerald, but rather only need to complete selected MIAX Emerald forms concerning their election to trade on MIAX Emerald, consent to MIAX Emerald's jurisdiction, and other operational matters.⁶ This waive-in application process is similar to arrangements in place at other exchanges.⁷ The Exchange believes⁷ that its affiliate, MIAX, would also make a nearly identical change to MIAX Rule 200.⁸

MIAX PEARL Rule 200(c)(1) currently has in place the waive-in application process for holders of MIAX trading permits who want to apply for a trading permit on MIAX PEARL. Exchange Rule 200(c)(1) currently provides as follows:

Holders of MIAX Options Exchange trading permits. A holder of a MIAX Options Exchange trading permit in good standing is eligible to receive one MIAX PEARL Trading Permit. A holder of a MIAX Options Exchange trading permit who wishes to apply to the Exchange is not required to complete and submit an Exchange application. Instead only Exchange forms concerning election to trade on the Exchange, submitting to Exchange jurisdiction, and operational matters need be completed and tendered.

The Exchange proposes to amend Exchange Rule 200(c)(1) to provide that holders of MIAX Emerald trading permits may also utilize the waive-in application process to obtain a MIAX

⁴ See MIAX Emerald Rule 100.

⁵ The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

⁶ See MIAX Emerald Rule 100.

⁷ See, e.g., Nasdaq MRX, LLC Rule 302(a) (containing similar expedited waive-in membership process for members of the Nasdaq ISE, LLC and Nasdaq GEMX, LLC); MIAX Emerald Rule 200(c) (containing similar expedited waive-in membership process for members of MIAX); and Cboe C2 Exchange, Inc. Rule 3.1(c)(1) (containing similar expedited waive-in membership process for members of Cboe).

⁸ See SR-MIAX-2019-21.

PEARL trading permit as MIAX Emerald is an affiliate of the Exchange. This proposal also includes adopting explanatory rule text in parenthesis similar to rule text adopted by MIAX Emerald. Accordingly, the Exchange proposes to amend Exchange Rule 200(c)(1) to provide as follows:

Holders of MIAX or MIAX Emerald Trading Permits. A holder of a MIAX or MIAX Emerald trading permit in good standing is eligible to receive one MIAX PEARL Trading Permit in the same Membership category to trade on MIAX PEARL (i.e., a MIAX Registered Market Maker or a MIAX Emerald Registered Market Maker is eligible to become a MIAX PEARL Market Maker and a MIAX Electronic Exchange Member or a MIAX Emerald Electronic Exchange Member is eligible to become a MIAX PEARL Electronic Exchange Member). A holder of a MIAX or MIAX Emerald trading permit who wishes to apply to the Exchange is not required to complete and submit an Exchange application. Instead only Exchange forms concerning election to trade on the Exchange, submitting to Exchange jurisdiction, and operational matters need be completed and tendered.

The Exchange also proposes to amend the rule text of Exchange Rule 200(c)(2) for applicants of a MIAX PEARL trading permit who do not already hold a MIAX or MIAX Emerald trading permit. Exchange Rule 200(c)(2) currently provides as follows:

Applicants Not Holding MIAX Options Exchange trading permits. An applicant not holding a MIAX Options Exchange trading permit seeking to hold a MIAX PEARL Trading Permit (“Applicant”) must submit an application to the Exchange in accordance with such procedures as shall be established by the Exchange. In addition, the following shall apply:

The Exchange proposes to amend Exchange Rule 200(c)(2) to include a provision for applicants of a MIAX PEARL trading permit who do not already hold a MIAX Emerald trading permit to conform to the rule text of MIAX Emerald. Accordingly, the Exchange proposes to amend Exchange Rule 200(c)(2) as follows:

Applicants Not Holding MIAX Trading Permits. An applicant not holding a MIAX or MIAX Emerald trading permit seeking to hold a MIAX PEARL Trading Permit (“Applicant”) must submit an application to the Exchange in accordance with such procedures as shall be established by the Exchange. In addition, the following shall apply:

Next, the Exchange proposes to amend the rule text of Exchange Rule 200(d) to make a minor non-substantive corrective edit. Exchange Rule 200(d) currently provides as follows:

Every Trading Permit holder must have and maintain membership in another registered options exchange other than the MIAX Options Exchange (that is not registered solely under Section 6(g) of the Exchange Act). If such other registered options exchange has not been designated by the Commission, pursuant to Rule 17d-1 under the Exchange Act, to examine Members for compliance with financial responsibility rules, then such Applicant must have and maintain a membership in FINRA.

The Exchange proposes to amend Exchange Rule 200(d) to adopt rule text to provide that every trading permit holder of MIAX PEARL must have and maintain membership in another options exchange other than MIAX or MIAX Emerald to conform to the rule text of the Exchange's affiliate, MIAX Emerald. Accordingly, the Exchange proposes to amend Exchange Rule 200(d) as follows:

Membership in Another Registered Options Exchange. Every Trading Permit holder must have and maintain membership in another registered options exchange other than the MIAX or MIAX Emerald (that is not registered solely under Section 6(g) of the Exchange Act). If such other registered options exchange has not been designated by the Commission, pursuant to Rule 17d-1 under the Exchange Act, to examine Members for compliance with financial responsibility rules, then such Applicant must have and maintain a membership in FINRA.

Finally, MIAX PEARL proposes to amend Exchange Rule 506, Collection and Dissemination of Quotations, to make minor corrective changes to the numerical and alphabetical list item identifiers to properly conform to the hierarchical heading scheme used throughout the Exchange's rulebook. Accordingly, Exchange Rule 506 sub-paragraphs (d)(i) through (d)(ii) will be renumbered as (d)(1) through (d)(2).

2. Statutory Basis

MIAX PEARL believes that its proposed rule change is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁰ 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 the proposed changes promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule changes make a number of minor, non-substantive corrective changes for purposes of clarification and uniformity.

The Exchange believes the proposed changes promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule changes correct errors in the hierarchical heading scheme to provide uniformity in the Exchange's rulebook. The Exchange notes that the proposed changes to Rule 100, Chapter III, Rule 506, Chapter VII, Chapter VIII, Chapter IX, Chapter XI, Chapter XIII, Chapter XIV, Chapter XV, Chapter XVI, Chapter XVII and Chapter XVIII do not alter the application of each rule. As such, the proposed amendments would 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 exchange system. In particular, the Exchange believes that the proposed changes will

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

provide greater clarity to Members and the public regarding the Exchange's Rules. It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

The Exchange believes the proposed changes to Exchange Rule 200 promotes 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 because the proposed changes will align MIAX PEARL Rule 200 with MIAX Emerald Rule 200 regarding trading permits. The Exchange believes this consistency across exchanges would remove impediments to and perfect the mechanism of a free and open market by ensuring that members, regulators and the public can more easily navigate the Exchange's rulebook and better understand the application process for trading permits. The Exchange also believes that although MIAX Emerald rules may, in certain instances, intentionally differ from MIAX PEARL rules, the proposed changes will promote uniformity with MIAX PEARL with respect to rules that are intended to be identical. The Exchange believes that this proposal will reduce the potential for confusion by its Members that are also Members of MIAX Emerald if the only differences between MIAX Emerald rules and MIAX PEARL rules are those that are specific to each exchange.

The Exchange also believes the proposed changes to Exchange Rule 200 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 because MIAX PEARL and its affiliates, MIAX and MIAX Emerald, have substantially the same Members, and by adopting the waive-in application process for those Members already holding trading permits on MIAX and/or MIAX Emerald, promotes the more effective utilization of time and resources of the Exchange. Furthermore, because MIAX and MIAX Emerald trading permit holders have already been vetted, the Exchange's proposal to amend the waive-in application process in Exchange Rule 200

aligns the trading permit application process with that of the Exchange's affiliate, MIAX Emerald, preventing unnecessary regulatory burdens and promoting the efficient administration of the Exchange's rules.

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 not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule changes will have no impact on competition as they are not designed to address any competitive issues but rather are designed to add additional clarity to existing rules and to remedy minor non-substantive issues in the text of various rules identified in this proposal.

The Exchange does not believe that the proposed rule changes to Exchange Rule 200 will impose any burden on intermarket competition not necessary or appropriate in furtherance of the purposes of the Act because MIAX PEARL and its affiliates, MIAX and MIAX Emerald, have substantially the same Members, and by adopting the waive-in application process for those Members already holding trading permits on MIAX and/or MIAX Emerald promotes the more effective utilization of time and resources of the Exchange. Furthermore, because MIAX and MIAX Emerald trading permit holders have already been vetted, the Exchange's proposal to amend the waive-in application process in Exchange Rule 200 aligns the trading permit application process with that of the Exchange's affiliate, MIAX Emerald, preventing unnecessary regulatory burdens and promoting the efficient administration of the Exchange's rules.

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.

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. Please include File Number SR-PEARL-2019-16 on the subject line.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 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.

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-2019-16. 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-2019-16, 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

Eduardo A. Aleman
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).