

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-88859; File No. SR-PEARL-2020-03)

May 12, 2020

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing of Amendment No. 1 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to Establish Rules Governing the Trading of Equity Securities

I. Introduction

On January 24, 2020, MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt rules to govern the trading of cash equities and establish an equities trading facility of the Exchange. The proposed rule change was published for comment in the Federal Register on February 12, 2020.³ On March 25, 2020, the Commission extended the time period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change, to May 12, 2020.⁴ On May 8, 2020, the Exchange filed Amendment No. 1 to the proposed rule change.⁵ The Commission has received no comments on the proposed rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 88132 (February 6, 2020), 85 FR 8053 (February 12, 2020) (“Notice”).

⁴ See Securities Exchange Act Release No. 88476 (March 25, 2020), 85 FR 17929 (March 31, 2020).

⁵ Amendment No. 1 makes the following changes to the proposed rule change: (i) deletes the definition of “Equity Securities” from proposed Exchange Rule 1901 and makes corresponding changes throughout the proposed Exchange Rules to eliminate unnecessary confusion; (ii) substitutes references to “PEARL Equities” with “MIAX PEARL Equities” throughout the proposed Exchange Rules; (iii) updates proposed

The Commission is publishing this notice and order to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons and to institute proceedings pursuant to Section 19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

As more fully set forth in the Notice and Amendment No. 1, and summarized below, the Exchange proposes to establish a platform for the trading of cash equity securities (referred to herein as “MIAX PEARL Equities”) to be regulated as an equities trading facility of the Exchange. MIAX PEARL Equities would operate pursuant to the proposed rules (“MIAX PEARL Equities Rules”) and regulatory requirements described below. This description summarizes but does not review every detail of the proposal, as modified by Amendment No. 1.

A. MIAX PEARL Equity Members

As proposed, MIAX PEARL Equities will operate an electronic trading system for equity securities (the “System”) that will provide for the electronic execution of orders pursuant to a

Exchange Rule 2622 (Limit Up-Limit Down Plan and Trading Halts) regarding a Level 3 Market Decline to conform it to recent changes made by each of the national securities exchanges that trade equities and the Financial Industry Regulatory Authority (“FINRA”), and makes a corresponding change to proposed Exchange Rule 2615 (Opening Process); and (iv) amends proposed Exchange Rule 2617(a)(4)(C) and (D) to account for the potential for orders to post and rest at prices that cross contra-side liquidity and also to correct a typographical error in proposed Exchange Rule 2617(a)(4)(D). Amendment No. 1 is available on the Commission’s website at: <https://www.sec.gov/comments/sr-pearl-2020-03/srpearl202003-7168815-216600a.pdf>.

⁶ 15 U.S.C. 78s(b)(2)(B).

price/time priority execution model.⁷ The Exchange will have a new category of Exchange Member participation called “Equity Member.”⁸

As proposed, an Equity Member must be or become a member of the Exchange pursuant to Chapter II (Access) and continue to abide by the requirements of Chapter II of Exchange Rules and the additional requirements of Chapter XX governing participation in MIAX PEARL Equities.⁹ An Equity Member must also be a member of another registered exchange that is not registered solely under Section 6(g) of the Exchange Act, or be a member of FINRA.¹⁰ Further, an Equity Member that transacts business with public customers must at all times be a member of FINRA.¹¹

There would be two types of Equity Members: (1) Equities Order Entry Firms (“OEFs”) and (2) Equities Market Makers. Each Equity Member must be registered as a broker-dealer and have as the principal purpose of being an Equity Member the conduct of a securities business, which shall be deemed to exist if and so long as: (1) the Equity Member has qualified and acts in respect of its business on MIAX PEARL Equities as an OEF, or an Equities Market Maker, or both; and (2) all transactions effected by the Equity Member are in compliance with Section

⁷ See Notice, supra note 3 at 8053, 8056.

⁸ See proposed MIAX PEARL Equities Rules 2000-2003.

⁹ See proposed MIAX PEARL Equities Rule 2000(b).

¹⁰ See proposed MIAX PEARL Equities Rule 2001(f). If such other registered 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. See id.

¹¹ See proposed MIAX PEARL Equities Rule 2001(f).

11(a) of the Act¹² and the rules and regulations adopted thereunder.¹³ Equity Members may trade equity securities for their own proprietary accounts or, if authorized to do so under applicable law, may conduct business on behalf of customers.¹⁴ OEFs are Equity Members representing orders as agent on MIAX PEARL Equities or non-Equities Market Makers conducting proprietary trading as principal.¹⁵ An Equity Member may also register as an Equities Market Maker by filing a registration request with the Exchange.¹⁶

An Equity Member registered as an Equities Market Maker would be required to engage in a course of dealing for its own account and to assist in the maintenance of a fair and orderly market.¹⁷ Among other things, each Equities Market Maker must, on a daily basis, maintain a two-sided market on a continuous basis during regular market hours for each equity security in which it is registered as an Equities Market Maker.¹⁸ Equities Market Makers may withdraw their quotations,¹⁹ and may voluntarily terminate their registration with the Exchange.²⁰ Pursuant

¹² 15 U.S.C. 78k(a).

¹³ See proposed MIAX PEARL Equities Rule 2001(e).

¹⁴ See id.

¹⁵ See proposed MIAX PEARL Equities Rule 1901.

¹⁶ See proposed MIAX PEARL Equities Rule 2605. The Exchange represents that an unlimited number of Equities Market Makers may be registered in each equity security unless the number of Market Makers registered to make a market in a particular equity security should be limited whenever, in the Exchange's judgment, quotation system capacity in an equity security is not sufficient to support additional Market Makers in such equity security. See Notice, supra note 3, at 8053. The Exchange further represents that it will not restrict access in any particular equity security until the Exchange has submitted objective standards for restricting access to the Commission for the Commission's review and approval. See id.

¹⁷ See proposed MIAX PEARL Equities Rule 2606.

¹⁸ See proposed MIAX PEARL Equities Rule 2606(a)(1).

¹⁹ See proposed MIAX PEARL Equities Rule 2607.

²⁰ See proposed MIAX PEARL Equities Rule 2608.

to the existing procedures set forth in Chapter IX of current Exchange Rules, the Exchange could suspend, condition, limit, prohibit or terminate the authority of an Equities Market Maker to enter quotations in one or more authorized securities for violations of applicable requirements or prohibitions.²¹

While using the System, Equity Members and persons employed by or associated with any Equity Member would be prohibited from conduct that is: (1) inconsistent with the maintenance of a fair and orderly market; (2) apt to impair public confidence in the operations of the Exchange; or (3) inconsistent with the ordinary and efficient conduct of business.²² Should any such conduct occur, the Exchange may suspend an Equity Member's access to the System following a warning, or terminate an Equity Member's access to the System by notice in writing.²³

B. MIAX PEARL Equities Trading System

As proposed, the Exchange's equities trading System, like its system for options, will be operated as a fully automated electronic order book, and the Exchange will not maintain or operate a physical trading floor.²⁴ The Exchange has proposed to be a trading center ("Trading

²¹ See proposed MIAX PEARL Equities Rule 2609.

²² See proposed MIAX PEARL Equities Rule 2602(b).

²³ See proposed MIAX PEARL Equities Rule 2602(d). The timing of such notice would depend on the severity of the Equity Member's misconduct. See Notice, supra note 3, at 8055.

²⁴ The Exchange represents that the System will leverage the Exchange's current technology, including its customer connectivity, messaging protocols, quotations and execution engine, order router, data feeds, and network infrastructure. See Notice, supra note 3, at 8056. In addition, the Exchange represents that it will become a member of the Depository Trust Company ("DTC"), and that the System will be linked to DTC for the Exchange to transmit locked-in trades for clearance and settlement. Id.

Center”) whose quotations can be “automated quotations” under Rule 600(b)(4).²⁵ In addition, the Exchange is designed to be an “automated trading center” under Rule 600(b)(5) whose best-priced, displayed quotation will be a “protected quotation” under Rules 600(b)(61) and 600(b)(62), and for purposes of Rule 611.²⁶ Only Equity Members and their Sponsored Participants (“Users”) would be permitted to transact business on MIAX PEARL via the System.²⁷

1. Order Types and Instructions

The Exchange proposes that Users may submit orders to the System as Limit Orders, Market Orders, or Midpoint Peg Orders.²⁸ Orders may be entered as an odd lot, round lot, or mixed lot.²⁹ The System will support two time-in-force instructions: Immediate-or-Cancel (“IOC”) or Regular Hours Only (“RHO”).³⁰ Users may submit orders with the display instructions of Displayed or Non-Displayed, but all orders eligible for display will be

²⁵ 17 CFR 242.600(b)(4); see proposed MIAX PEARL Equities Rule 2617(c).

²⁶ 17 CFR 242.600(b)(5), (b)(61) and (b)(62); 17 CFR 242.611; see MIAX PEARL Equities Rule 2617(c).

²⁷ See proposed MIAX PEARL Equities Rules 2000 and 2602(a)(1). See also Exchange Rule 210 (Sponsored Access to the Exchange).

²⁸ See proposed MIAX PEARL Equities Rule 2614(a)(1)-(3). Midpoint Peg Orders are non-displayed Limit Orders that are assigned a “working price” pegged to the midpoint of the Protected NBBO. A Midpoint Peg Order receives a new timestamp each time its working price changes in response to changes to the midpoint of the Protected NBBO.

²⁹ See proposed MIAX PEARL Equities Rule 2614(a). The Exchange proposes that odd lot, round lot, and mixed lot orders are to be treated in the same manner on the Exchange, except as discussed below regarding the adjustment of an odd-lot price that locks or crosses the Protected NBBO. See infra note 74 and accompanying text.

³⁰ See proposed MIAX PEARL Equities Rule 2614(b). A Market Order may only include a time in force of IOC. See MIAX PEARL Equities Rule 2614(a)(2).

automatically defaulted to Displayed unless a User elects otherwise.³¹ Users also may submit orders with instructions of: Do Not Route,³² Post Only,³³ Attributable,³⁴ and Non-Attributable.³⁵ In addition, Users may mark Limit Orders as Intermarket Sweep Orders, which will allow orders so designated to be automatically matched and executed without reference to Protected Quotations at other Trading Centers.³⁶ Users may also choose to designate orders with self-trade

³¹ See proposed MIAX PEARL Equities Rule 2614(c)(3) and (4). Market Orders and Mid-Point Peg Orders are not eligible for display. See proposed MIAX PEARL Equities Rule 2614(a)(2) and (3).

³² An order designated as Do Not Route is a non-routable order that will be ranked and executed on the MIAX PEARL Equities Book pursuant to proposed MIAX PEARL Equities Rules 2616 and 2617(a)(4) or cancelled. Unless otherwise instructed by the User, an order designated as Do Not Route will be subject to the price sliding processes set forth in proposed MIAX PEARL Equities Rule 2614(g) and proposed MIAX PEARL Equities Rule 2622(e). See proposed MIAX PEARL Equities Rule 2614(c)(1).

³³ An order designated as Post Only is a non-routable order that will be ranked and executed on the MIAX PEARL Equities Book pursuant to proposed MIAX PEARL Equities Rule 2616 and proposed MIAX PEARL Equities Rule 2617(a)(4). An order designated as Post Only will only remove liquidity from the MIAX PEARL Equities Book when: (A) the order is for a security priced below \$1.00; or (B) the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX PEARL Equities Book and subsequently provided liquidity including the applicable fees charged or rebates paid. To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order were instead posted to the MIAX PEARL Equities Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange. Lastly, unless otherwise instructed by the User, an order designated as Post Only will be subject to the price sliding processes set forth in proposed MIAX PEARL Equities Rule 2614(g). See proposed MIAX PEARL Equities Rule 2614(c)(2).

³⁴ “Attributable” is an instruction to include the User’s market participant identifier (“MPID”) with an order that is designated for display (price and size) on an Exchange proprietary data feed. See proposed MIAX PEARL Equities Rule 2614(c)(5).

³⁵ “Non-Attributable” is an instruction on an order that is designated for display (price and size) on an Exchange proprietary data feed to display that order on an anonymous basis. See proposed MIAX PEARL Equities Rule 2614(c)(6).

³⁶ A User marking a Limit Order as “ISO” must simultaneously route one or more additional Limit Orders marked “ISO,” as necessary, to away Trading Centers to execute

protection modifiers to prevent executions against a resting opposite side order originating from the same market participant, Exchange Member, or trading group identifier.³⁷

As proposed, the MIAX PEARL Equities Rules will provide for Limit Order Price Protection.³⁸ The Exchange has proposed that a Limit Order to buy (sell) will be rejected if it is priced at or above (below) the greater of a specified dollar and percentage away from: (1) the Protected Best Offer for Limit Orders to buy, the Protected Best Bid for Limit Orders to sell; or (2) if the Protected Best Offer or Protected Best Bid is unavailable, the consolidated last sale price disseminated during the Regular Trading Hours on trade date; or (3) if the Protected Best Offer or Protected Best Bid and a consolidated last sale price are unavailable, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events.³⁹ The proposed functionality would differ from that provided by other equities exchanges by using a waterfall of reference prices and

against the full displayed size of any Protected Quotation for the security. An order meeting such requirements may be immediately executed at one or multiple price levels in the System without regard to Protected Quotations at away Trading Centers consistent with Regulation NMS. An ISO is not eligible for routing and may include a time-in-force of IOC or RHO. See MIAX PEARL Equities Rule 2614(d). A User entering an ISO with a time-in-force of IOC represents that such User has simultaneously routed one or more additional Limit Orders marked "ISO," if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is superior to the limit price of the ISO entered in the System. A User entering an ISO with a time-in-force of RHO makes the same representation but further represents that it simultaneously routed one or more additional Limit Orders marked "ISO," if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is equal to the limit price of the ISO entered in the System.

³⁷ See proposed MIAX PEARL Equities Rule 2614(f).

³⁸ See proposed MIAX PEARL Equities Rule 2614(a)(1)(I).

³⁹ See proposed MIAX PEARL Equities Rule 1900 (defining the term "PBO" or "Protected NBO" as the national best offer that is a Protected Quotation, and the term "PBB" or "Protected NBB" as the national best bid that is a Protected Quotation).

permitting Equity Members to customize the Limit Order Price Protection dollar and percentage limits on a per session basis, in lieu of using the Exchange's default parameters.⁴⁰

2. Opening Procedures

As proposed, the Exchange will conduct an Opening Process at the start of Regular Trading Hours.⁴¹ During the Opening Process, the Exchange attempts to match eligible buy and sell orders at the midpoint of the NBBO.⁴² Similar to the Opening Process conducted by other national securities exchanges,⁴³ the midpoint of the NBBO will be calculated differently depending on whether the primary listing exchange is NYSE or NYSE American,⁴⁴ or is any other primary listing exchange.⁴⁵ If the conditions to establish the Opening Process do not occur

⁴⁰ See Notice, supra note 3, at 8061.

⁴¹ Orders designated as Post Only, ISOs, Market Orders, and orders that include a time-in-force other than RHO are not eligible to participate in the Opening Process. See proposed MIAX PEARL Equities Rule 2615. Self-trade prevention modifiers will be honored during the Opening Process. See proposed MIAX PEARL Equities Rule 2615(a)(2).

⁴² All orders eligible to trade at the midpoint will be processed in time sequence, beginning with the order with the oldest timestamp. The Opening Process will conclude when no remaining orders, if any, can be matched at the midpoint of the NBBO. At the conclusion of the Opening Process, the unexecuted portion of orders that were eligible to participate in the Opening Process will be placed on the MIAX PEARL Equities Book in time sequence, cancelled, executed, or routed to away Trading Centers in accordance with the terms of the order. See proposed MIAX PEARL Equities Rule 2615(b).

⁴³ See, e.g., Cboe BZX Rule 11.24(c); Cboe EDGX Rule 11.7(c).

⁴⁴ When the primary listing exchange is the NYSE or NYSE American, the Opening Process will be priced at the midpoint of the: (i) first NBBO subsequent to the first reported trade and first two-sided quotation on the primary listing exchange after 9:30:00 a.m. Eastern Time; or (ii) then prevailing NBBO when the first two-sided quotation is published by the primary listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00 a.m. Eastern Time if no first trade is reported by the primary listing exchange within one second of publication of the first two-sided quotation by the primary listing exchange. See proposed MIAX PEARL Equities Rule 2615(c)(1).

⁴⁵ For any other primary listing exchange, the Opening Process will be priced at the midpoint of the first NBBO subsequent to the first two-sided quotation published by the

by 9:45:00 a.m. Eastern Time, the Exchange will conduct a Contingent Open, by matching all orders eligible to participate in the Opening Process at the midpoint of the then prevailing NBBO.⁴⁶ If the midpoint of the NBBO is not available for the Contingent Open, all orders will be handled in time sequence, beginning with the order with the oldest timestamp, and be placed on the MIAX PEARL Equities Book, cancelled, executed, or routed to away Trading Centers in accordance with the terms of the order.⁴⁷ Those Users that do not wish to participate in the Contingent Open may cancel their orders at any time and resubmit those orders after the Contingent Open occurs and continuous trading begins.⁴⁸ While an equity security is subject to a halt, suspension, or pause in trading, the Exchange will accept orders for queuing prior to the resumption of trading in the security for participation in the Re-Opening Process.⁴⁹ As proposed, the Re-Opening Process will occur in the same general manner as the Opening Process.⁵⁰

3. Order Priority and Execution

As proposed, following the Opening Process, the System will continuously and automatically match orders pursuant to price/time priority.⁵¹ For equally-priced trading interest,

primary listing exchange after 9:30:00 a.m. Eastern Time. See proposed MIAX PEARL Equities Rules 2615(c)(2).

⁴⁶ See proposed MIAX PEARL Equities Rule 2615(d).

⁴⁷ Users not seeking an execution at the midpoint of the NBBO during the Contingent Open may cancel their orders before 9:45 a.m. and re-enter those orders after the Contingent Open occurs. See Notice, supra note 3, at 8063.

⁴⁸ See id.

⁴⁹ See proposed MIAX PEARL Equities Rule 2615(e).

⁵⁰ See proposed MIAX PEARL Equities Rule 2615(e)(1).

⁵¹ See proposed MIAX PEARL Equities Rules 2616(a)(1) and 2617(a)(4)(A). Orders to buy will be ranked from highest working price to lowest working price. Orders to sell will be ranked from lowest working price to highest working price. If the working price of an order changes, the price priority of the order will also change. See proposed MIAX PEARL Equities Rule 2616(a)(1). See also proposed MIAX PEARL Equities Rule 1900,

orders categorized as displayed will have priority over orders categorized as non-displayed.⁵²

Within each priority category, orders will be ranked based on time, with each order being assigned a timestamp equal to the time the order is first placed on the MIAX PEARL Equities Book.⁵³ The System also will utilize certain collars and constraints in an effort to reduce the occurrence of erroneous trades.⁵⁴ The best-ranked orders to buy and best-ranked orders to sell that are displayable in the MIAX PEARL Equities book and their aggregate displayed size will be available to quotation vendors for dissemination pursuant to the requirements of Rule 602 of Regulation NMS.⁵⁵

defining “working price” to mean the price at which an order is eligible to trade at any given time, which may be different from the limit price or display price of the order.

⁵² See proposed MIAX PEARL Equities Rule 2616(a)(2).

⁵³ See proposed MIAX PEARL Equities Rule 2616(a)(3). When Users elect that their orders not execute against an order with the same self-trade prevention modifier, the System will not permit such orders to execute against one another, regardless of priority ranking. See MIAX PEARL Equities Rule 2616(a)(4). When a User cancels or replaces an order resting on the MIAX PEARL Equities Book, the order will retain its timestamp and retain its priority only where the modification involves a decrease in the size of the order or a change in position from: (A) sell to sell short; (B) sell to sell short exempt; (C) sell short to sell; (D) sell short to sell short exempt; (E) sell short exempt to sell; and (F) sell short exempt to sell short. See proposed MIAX PEARL Equities Rule 2616(a)(5). In addition, the remainder of an order that is partially executed against an incoming order or Aggressing Order (as defined in proposed MIAX PEARL Equities Rule 1901) will retain its timestamp. See proposed MIAX PEARL Equities Rule 2616(a)(6).

⁵⁴ See MIAX PEARL Equities Rules 2618 and 2621.

⁵⁵ See proposed MIAX PEARL Rule 2216(b), providing that, pursuant to Rule 602 of Regulation NMS, the Exchange will transmit for display to the appropriate network processor for each System security the highest (lowest) price to buy (sell) wherein the aggregate size of all displayed buy (sell) interest in the System greater (less) than or equal to that price is one round lot or greater, and that the aggregate size of all displayed buy (sell) interest in the System greater (less) than or equal to that price will be transmitted rounded down to the nearest round lot.

Proposed MIAX PEARL Equities Rule 2617(a) addresses order execution.⁵⁶ The proposed rule provides that an order will be cancelled back to the User if, based on market conditions, User instructions, applicable Exchange Rules and/or the Exchange Act and the rules and regulations thereunder, such order is not executable, cannot be routed to another Trading Center and cannot be posted to the MIAX PEARL Equities Book.⁵⁷

Proposed MIAX PEARL Equities Rule 2617(a)(1)-(3) provides that the System will comply with all applicable securities laws and regulations, including Regulation NMS Rule 611, Regulation SHO, and the Plan to Address Extraordinary Market Volatility (the “LULD Plan”).⁵⁸ Proposed Rule 2617(a)(4) addresses how (subject to the requirements of Rule 611 and other applicable Commission and Exchange requirements), an incoming order or Aggressing Order would be matched against orders on the MIAX PEARL Equities Book. Specifically, proposed MIAX PEARL Equities Rule 2617(a)(4)(A)-(B) provides that an Aggressing Order or an incoming order to buy (sell) will be automatically executed to the extent that it is priced at an amount that equals or exceeds (is less than) any order to sell (buy) in the MIAX PEARL Equities Book and is executable.⁵⁹

⁵⁶ The Exchange states that the order execution process for equity securities is based on functionality currently approved for use on the Cboe Equities Exchanges, NYSE, NYSE Arca, and Nasdaq. See Notice supra note 3 at 8065.

⁵⁷ See proposed MIAX Pearl Equities Rule 2617(a). The Exchange states that this is the same as on other equity exchanges. See Notice supra note 3 at 8065.

⁵⁸ See id. Proposed Rule 2617(a)(2) specifies that for any execution to occur during Regular Trading Hours, the price must be equal to, or better than, the Protected NBBO unless an exception to Rule 611 applies. See proposed MIAX PEARL Equities Rules 1901 (defining “Protected NBBO”) and 2617(a)(2).

⁵⁹ See proposed MIAX PEARL Equities Rule 2617(a)(4)(A)-(B).

In Amendment No. 1, the Exchange modifies proposed MIAX PEARL Equities Rule 2617(a)(4)(C) and (D), which further addresses executions on the MIAX PEARL Equities Book, by describing how the Exchange would handle internally locked or crossed interest on the MIAX PEARL Equities Book. Proposed MIAX PEARL Equities Rule 2617(a)(4)(C), as amended, acknowledges that certain orders, based on their operation and User instructions, are permitted to post and rest on the MIAX PEARL Equities Book at prices that lock or cross contra-side liquidity; provided, however, that the System would never display a locked or crossed market.⁶⁰ The rule states further that, if an Aggressing Order or an incoming order to buy (sell) would execute upon entry against an order to sell (buy) at the same price as or a worse price than a resting displayed order to buy (sell), the Aggressing Order or incoming order to buy (sell) will be cancelled or posted to the MIAX PEARL Equities Book and ranked in accordance with proposed MIAX PEARL Equities Rule 2616.⁶¹

Proposed MIAX PEARL Equities Rule 2617(a)(4)(D), as modified by Amendment No. 1, governs the price at which an order is executable when it is posted non-displayed on the PEARL Equities Book and there is a contra-side displayed order at a price which results in an internally locked or crossed book.⁶² For securities priced equal to or greater than \$1.00 per share, in the case where a non-displayed order to sell (buy) is posted on the MIAX PEARL Equities Book at a price that locks or crosses a displayed order to buy (sell) pursuant to proposed MIAX PEARL Equities Rule 2617(a)(4)(C) described above, an Aggressing Order or an incoming order to buy (sell) that is a market order or a limit order priced more aggressively than the order to buy (sell)

⁶⁰ See Amendment No. 1; Rule 2617(a)(4)(C).

⁶¹ See Amendment No. 1; Rule 2617(a)(4)(C).

⁶² See Amendment No. 1; Rule 2617(a)(4)(D).

displayed on the MIAX PEARL Equities Book will execute against the non-displayed order to sell (buy) resting on the PEARL Equities Book at one-half minimum price variation greater (less) than the price of the resting displayed order to buy (sell).⁶³

As initially proposed, MIAX PEARL Equities Rule 2617(a)(4)(C) and (D) set forth how the Exchange would process orders when the MIAX PEARL Equities Book is internally locked.⁶⁴ In Amendment No. 1, the Exchange added language to these proposed rule provisions to account for the fact that certain orders also may post at prices that cross contra-side liquidity resting on the MIAX PEARL Equities Book.⁶⁵ The Exchange states that such an internally crossed book may occur when an incoming order of odd lot size designated as Post Only does not execute against a resting Midpoint Peg order pursuant to the Exchange's proposed economic best interest functionality under proposed MIAX PEARL Equities Rule 2614(c)(2).⁶⁶ The Exchange provides an example where this occurs when an incoming displayable odd lot Post Only order would cross a contra-side Midpoint Peg order resting at the midpoint of the PBBO by one half of one cent (\$.005) and post and display at its limit price, crossing the Midpoint Peg order.⁶⁷ The example further reflects where these internally crossed orders would be

⁶³ See Amendment No. 1; Rule 2617(a)(4)(D).

⁶⁴ See Amendment No. 1.

⁶⁵ Id.

⁶⁶ Id.

⁶⁷ Id. The example assumes that the PBBO is \$10.00 by \$10.05 and there are no orders resting on the MIAX PEARL Equities book. The Exchange states that it has yet to determine the level of fees and rebates it intends to offer, so the example assumes a maker/taker fee structure with a \$0.0030 fee for removing liquidity and a \$0.0030 rebate for providing liquidity, requiring at least \$0.0060 of price improvement for a displayed order designated as Post Only to remove liquidity. The Exchange also states that, assuming it offers lower fees and rebates for non-displayed orders, if the incoming post only order in the example was non-displayed, it would execute against the resting contra-side Midpoint Peg order pursuant to the Exchange's proposed economic best interest

subsequently executable – specifically, the Midpoint Peg order would no longer be executable at the midpoint of the PBBO and instead would be executable at one-half minimum price variation more aggressive than the displayed price of the odd lot Post Only order, and the odd lot Post Only order would be executable at its displayed price.⁶⁸

The MIAX PEARL Equities Rules also are designed to address intermarket locks and crosses, as required by Rule 610(d) of Regulation NMS,⁶⁹ in that they are designed not to disseminate interest that would lock or cross a protected quote, require Users to reasonably avoid displaying interest that locks or crosses any protected quotation, and are reasonably designed to assure the reconciliation of locked or crossed interest.⁷⁰ The MIAX PEARL Equities Rules also provide for the re-pricing of limit orders in order to comply with Rule 201 of Regulation SHO⁷¹ and the LULD Plan,⁷² and the repricing of non-displayed limit orders to ensure compliance with Rule 611 of Regulation NMS.⁷³ Further, with respect to odd lots, the Exchange has proposed

functionality under proposed Exchange Rule 2614(c)(2). Further, the Exchange states that if the incoming post only order in the example instead was a displayed round lot, it would have updated the PBBO resulting in the contra-side Midpoint Peg Order being re-priced to the new midpoint of the PBBO and not resulting in a non-displayed internally crossed book. Id.

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Id.

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17 CFR 242.610(d).

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See proposed MIAX PEARL Equities Rule 2624; see also proposed MIAX PEARL Equities Rule 2614(a)(1) and (g)(1) (relating to price sliding functionality for non-routable limit orders to avoid violations of Rule 610(d) of Regulation NMS, 17 CFR 242.610(d)).

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17 CFR 242.201; see proposed MIAX PEARL Equities Rule 2614(a)(1) and (g)(3).

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See proposed MIAX PEARL Equities Rules 2614(a)(1) and 2622; see also proposed MIAX PEARL Equities Rule 2617(a)(3) (providing that any executions that occur during Regular Trading Hours must comply with the LULD plan).

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17 CFR 242.611; see proposed MIAX PEARL Equities Rule 2614(a)(1) and (g)(2).

that the working and display price of a displayable odd lot order will be adjusted both on arrival and when resting on the MIAX PEARL Equities Book depending on the odd lot order's limit price in relation the Protected NBBO and whether the Protected NBBO itself is locked or crossed, to reduce the potential for odd lot orders to be displayed on the Exchange's proprietary data feed at potentially unexecutable prices.⁷⁴

C. Routing

As proposed, MIAX PEARL Equities will support orders that are designated to be routed to the Protected NBBO as well as orders that will execute only within MIAX PEARL Equities.⁷⁵ The System will provide a routing service ("Routing Services") for orders when trading interest is not available on MIAX PEARL Equities.⁷⁶ As the Exchange currently does for options,⁷⁷ it will route orders in equity securities via one or more routing brokers that are not affiliated with the Exchange.⁷⁸

⁷⁴ See proposed MIAX PEARL Equities Rule 2611(b)(1). See also proposed MIAX PEARL Equities Rule 2611(b)(2) (regarding circumstances in which resting odd lot quantity could be joined with the returned quantity of a routed order and receive a new timestamp). See also Notice, supra note 3 at 8057.

⁷⁵ However, an order marked "short" when a short sale price test restriction pursuant to Rule 201 of Regulation SHO is in effect is not eligible for routing by the Exchange. See MIAX Pearl Equities Rule 2617(b)(2). An order that is ineligible for routing due to a short sale price test restriction and that includes a time-in-force of IOC will be cancelled upon entry. Id. The Exchange will handle routable orders in connection with the LULD Plan as described in proposed MIAX PEARL Equities Rule 2622(b)(2) and (3).

⁷⁶ See Notice, supra note 3, at 8053.

⁷⁷ See Exchange Rule 529.

⁷⁸ See Notice, supra note 3, at 8066. The Exchange notes that this routing process is described under proposed MIAX PEARL Equities Rule 2617(b)(1), which is identical to current Exchange Rule 529 that is applicable to options. See id.

For all Routing Services, the Exchange will determine the logic that provides when, how, and where orders are routed away to other Trading Centers.⁷⁹ The Exchange represents that the Exchange's routing logic will not provide any advantage to Users when routing orders to away Trading Centers as compared to other routing methods.⁸⁰ The routing broker will receive routing instructions from the Exchange to route orders to other Trading Centers and report such executions back to the Exchange.⁸¹ The routing broker cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.⁸²

The Exchange represents that for each routing broker used by the Exchange, an agreement will be in place between the Exchange and the routing broker that will, among other things, restrict the use of any confidential and proprietary information that the routing broker receives to legitimate business purposes necessary for routing orders at the direction of the Exchange.⁸³ Further, the Exchange will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the routing broker, and any other entity, including any affiliate of the routing broker; and, if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the

⁷⁹ See proposed MIAX PEARL Equities Rule 2617(b)(1)(A)(iv).

⁸⁰ See Notice, supra note 3, at 8066.

⁸¹ See proposed MIAX PEARL Equities Rule 2617(b)(1)(A)(v).

⁸² See proposed MIAX PEARL Equities Rule 2617(b)(1)(A)(v).

⁸³ See Notice, supra note 3, at 8066. See also proposed MIAX PEARL Equities Rule 2617(b)(1)(A).

routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the Routing Services.⁸⁴

The Exchange may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.⁸⁵ In addition, the Exchange will provide its Routing Services in compliance with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among an exchange's members and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.⁸⁶ The Exchange also represents that it will file a proposed rule change with the Commission pursuant to Section 19(b) of the Act prior to offering additional routing options.⁸⁷

The Exchange notes that use of its routing services to route orders to other market centers is optional.⁸⁸ Parties that do not desire to use these services must designate their orders as not available for routing.⁸⁹ In addition, any bid or offer entered on the Exchange routed to another Trading Center through a routing broker that results in an execution shall be binding on the Member that entered such bid or offer.⁹⁰

⁸⁴ See proposed MIAX PEARL Equities Rule 2617(b)(1)(A)(i).

⁸⁵ See proposed MIAX PEARL Equities Rule 2617(b)(1)(A)(ii).

⁸⁶ See proposed MIAX PEARL Equities Rule 2617(b)(1)(A)(iii).

⁸⁷ See Notice, supra note 3, at 8066 n.78.

⁸⁸ See id. at 8066.

⁸⁹ See id.

⁹⁰ See proposed MIAX PEARL Equities Rule 2617(b)(1)(A)(vi).

D. Securities Traded: Unlisted Trading Privileges

The Exchange is not proposing to be a listing market for equity securities, but instead proposes to trade equity securities pursuant to unlisted trading privileges (“UTP”). MIAX PEARL Equities Rule 2900 establishes the Exchange’s authority to trade securities on a UTP basis. MIAX PEARL Equities Rule 2900(a) provides that the Exchange may extend UTP any NMS Stock that is listed on another national securities exchange or with respect to which UTP may otherwise be extended in accordance with Section 12(f) of the Act.⁹¹ MIAX PEARL Equities Rule 2900(a) further provides that any such security would be subject to all Exchange rules applicable to trading on the Exchange, unless otherwise noted. For any UTP security that is a UTP Exchange Traded Product, the Exchange will distribute an information circular prior to the commencement of trading in each such UTP Exchange Traded Product that generally includes the same information as is contained in the information circular provided by the listing exchange.⁹² Equity Members must provide each purchaser of UTP Exchange Traded Products a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such securities is delivered to such

⁹¹ Any such security will be subject to all Exchange rules applicable to trading on the Exchange, unless otherwise noted. See proposed MIAX PEARL Equities Rule 2900. The Exchange states that this rule is identical to the rules of other equities exchanges. See Notice, supra note 3, at 8070. See also Amendment No. 1, supra note 5, deleting from the proposed MIAX PEARL Equities Rules the originally proposed definition of Equity Securities as unnecessary.

⁹² This includes: (a) the special risks of trading the new Exchange Traded Product; (b) the Exchange Rules that will apply to the new Exchange Traded Product; and (c) information about the dissemination of value of the underlying assets or indices. See proposed MIAX PEARL Equities Rules 2900(b)(1).

purchaser.⁹³ Upon request of a customer, an Equity Member must also provide a prospectus for the particular UTP Exchange Traded Product.⁹⁴

The Exchange also proposes certain restrictions on Equity Members acting as Equities Market Makers on the Exchange in a UTP Exchange Traded Product that derives its value from one or more currencies, commodities, or derivatives based on one or more currencies or commodities, or is based on a basket or index composed of currencies or commodities.⁹⁵ Further, the Exchange will enter into comprehensive surveillance sharing agreements with markets that trade components of the index or portfolio on which the UTP Exchange Traded Product is based to the same extent as the listing exchange's rules require the listing exchange to enter into comprehensive surveillance sharing agreements with such markets.⁹⁶

E. Regulation

The Exchange represents that it will regulate MIAX PEARL Equities using the Exchange's existing regulatory structure.⁹⁷ Pursuant to the Exchange's By-Laws, the Chief Regulatory Office of the Exchange will have general supervision of the regulatory operations of the Exchange, which will include responsibility for overseeing the Exchange's surveillance,

⁹³ In addition, Equity Members will include a written description with any sales material relating to UTP Exchange Traded Products that is provided to customers or the public, as well as a disclaimer (Any other written materials provided by an Equity Member to customers or the public making specific reference to the UTP Exchange Traded Products as an investment vehicle) with any other written materials provided by an Equity Member to customers or the public making specific reference to the UTP Exchange Traded Products as an investment vehicle substantially in a form prescribed by the Exchange. See proposed MIAX PEARL Equities Rules 2900(b)(2)(B).

⁹⁴ See proposed MIAX PEARL Equities Rule 2900(b)(2)(C).

⁹⁵ See proposed MIAX PEARL Equities Rule 2900(b)(4).

⁹⁶ See proposed MIAX PEARL Equities Rule 2900(b)(5).

⁹⁷ See id. at 8071-72.

examination, and enforcement functions and for administering any regulatory services agreements applicable to MIAX PEARL Equities.⁹⁸ Similarly, the Exchange’s existing Regulatory Oversight Committee will be responsible for overseeing the adequacy and effectiveness of Exchange’s regulatory and self-regulatory organization responsibilities, including those applicable to MIAX PEARL Equities.⁹⁹

As more fully discussed in the Notice, the Exchange has proposed specific business conduct and operational rules for Equity Members consistent with the approved rules of other equities exchanges, which include rules covering similar subject matter as existing Exchange Rules, applicable to options Members.¹⁰⁰ In addition, the Exchange proposes that existing rules applicable to the MIAX PEARL options market (current Chapters I through XVIII of the Exchange Rules) will apply to Equity Members and their associated persons, unless a specific MIAX PEARL Equities Rule (in proposed Chapters XIX through XXX of the Exchange Rules) governs or the context otherwise requires.¹⁰¹ The Exchange also proposes to incorporate certain rules of other self-regulatory organizations (“SROs”) and represents that it will request an exemption from the rule filing requirements of Section 19(b) of the Exchange Act for those rules of another SRO that it proposes to incorporate by reference to the extent such rules are effected solely by virtue of a change to any of those rules.¹⁰²

⁹⁸ See proposed MIAX PEARL By-Laws, Section 6.10.

⁹⁹ See proposed MIAX PEARL By-Laws, Section 4.5(c).

¹⁰⁰ See Notice, supra note 3, at 8069-70 (discussing MIAX PEARL Equities Rules regarding Fair Practice (Chapter XXI), Books, Records, and Reports (Chapter XXII), Supervision (Chapter XXIII), Margin (Chapter XXIV), Chapter XXVII (Trading Practice Rules), and other miscellaneous provisions (Chapter XXVIII)).

¹⁰¹ See proposed MIAX PEARL Rule 1900 (Applicability).

¹⁰² See Notice supra note 3 at 8069.

Further, the Exchange's By-Laws provide that it has disciplinary jurisdiction over its members, including Equity Members so that it can enforce its members' compliance with its rules and the federal securities laws.¹⁰³ The Exchange's rules also permit it to sanction members for violations of its rules and of the federal securities laws by, among other things, expelling or suspending members, limiting members' activities, functions, or operations, fining or censuring members, or suspending or barring a person from being associated with a member.¹⁰⁴

In addition, the Exchange represents that: (1) the Exchange will join the existing equities industry agreements and establish new agreements, as necessary, pursuant to Section 17(d) of the Exchange Act, as it has with respect to its equities market; (2) the Exchange's Regulatory Services Agreement ("RSA") with FINRA will govern many aspects of the regulation and discipline of Members that participate in equities trading, as it does for options market regulation; and (3) the Exchange will authorize Equity Members to trade on MIAX PEARL Equities and conduct surveillance of equities trading as it does for options.¹⁰⁵

The Exchange represents that it will establish Rule 17d-2 Plans for Allocation of Regulatory Responsibilities, including, subject to Commission approval: (i) a plan with FINRA pursuant to which the Exchange and FINRA will agree to allocate to FINRA, with respect to common members, regulatory responsibility for overseeing and enforcing certain applicable

¹⁰³ See MIAX PEARL By-Laws Section 9.2; see also MIAX PEARL By-Laws Section 2.1(d).

¹⁰⁴ See Chapter X of Exchange Rules. The Exchange's rules also provide for the imposition of fines for minor rule violations in lieu of commencing disciplinary proceedings. The Commission approved the Exchange's Minor Rule Violation Plan ("MRVP") in 2017. See Securities Exchange Act Release No. 82385 (December 21, 2017), 82 FR 61613 (December 28, 2017) (File No. 4-715).

¹⁰⁵ See id. at 8071-72.

laws, rules, and regulations of MIAX PEARL Equities; (ii) joining the multi-party plan with FINRA and other national securities exchanges for the surveillance, investigation, and enforcement of common insider trading rules; and (iii) joining the multi-party plan with FINRA and other national securities exchanges for the allocation of regulatory responsibilities with respect to certain Regulation NMS Rules.¹⁰⁶

In addition, the Exchange represents that it will: (i) expand its existing RSA with FINRA, pursuant to which FINRA performs various regulatory services on behalf of the Exchange, subject to the Exchange's ultimate responsibility, including the review of membership applications and the conduct of investigations, disciplinary and hearing services; (ii) join the Intermarket Surveillance Group ("ISG"); and (iii) submit an amended Minor Rule Violation Plan to the Commission under Rule 19d-1(c)(2) of the Exchange Act.¹⁰⁷

According to the Exchange, FINRA currently surveils options trading on behalf of the Exchange pursuant to an existing RSA designed to detect violations of Exchange rules and applicable federal securities laws.¹⁰⁸ The Exchange represents that this RSA will be expanded to provide for FINRA to also surveil equities trading on MIAX PEARL Equities on behalf of the

¹⁰⁶ See Notice, supra note 3, at 8072. Rule 17d-2 provides that any two or more SROs may file with the Commission a plan for allocating among such SROs the responsibility to receive regulatory reports from persons who are members or participants of more than one of such SROs to examine such persons for compliance, or to enforce compliance by such persons, with specified provisions of the Act, the rules and regulations thereunder, and the rules of such SROs, or to carry out other specified regulatory functions with respect to such persons. See 17 CFR 240.17d-2.

¹⁰⁷ See id. The Commission approved the Exchange's current MRVP in 2017. See Securities Exchange Act Release No. 82385 (December 21, 2017), 82 FR 61613 (December 28, 2017) (File No. 4-715).

¹⁰⁸ See Notice, supra note 3, at 8072.

Exchange.¹⁰⁹ The Exchange will remain responsible for FINRA’s performance under the RSA.¹¹⁰

In addition, with respect to exchange traded products traded on MIAX PEARL Equities pursuant to unlisted trading privileges, the Exchange represents that it will enter into a comprehensive surveillance sharing agreement with markets that trade components of the index or portfolio on which shares of an exchange-traded product is based to the same extent as the listing exchange’s rules require the listing exchange to enter into a comprehensive surveillance sharing agreement with such markets.¹¹¹

The Exchange has also proposed Rule 2622(e) to comply with the LULD Plan, and has represented that it is identical in all material respects to the rules of other equities exchanges.¹¹² Proposed MIAX PEARL Equities Rule 2622(e) states that the Exchange is a Participant in the

¹⁰⁹ See id.

¹¹⁰ See id.

¹¹¹ See id. The Exchange states that FINRA, on behalf of the Exchange, may obtain information, and will communicate information as needed, regarding trading in the shares of exchange-traded products, as well as in the underlying exchange-traded securities and instruments with other markets and other entities that are members of ISG. The Exchange may also obtain information regarding trading in such shares and underlying securities and instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. Moreover, the Exchange states that FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a fund reported to FINRA’s Trade Reporting and Compliance Engine. See id.

¹¹² See id. at 8068. In Amendment No. 1, the Exchange updated proposed MIAX PEARL Equities Rules 2615 and 2622 regarding trading halts to reflect recent proposed rule changes filed by all other equity exchanges and FINRA with respect to a Level 3 Market Decline. See supra note 5. When triggered, a Level 3 halt would halt trading market-wide until the next trading day. The changes in Amendment No. 1 would allow for next-day trading to resume in all NMS stocks no differently from any other trading day, and would not need to wait for the primary listing market to reopen trading in a security.

LULD Plan¹¹³ and requires that Equity Members comply with the LULD Plan's provisions.

Proposed MIAX PEARL Equities Rule 2622(e) also describes the Exchange's order handling procedures to comply with the LULD Plan.¹¹⁴

III. Proceedings to Determine Whether to Approve or Disapprove the Proposed Rule Change, as Modified by Amendment No. 1

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act¹¹⁵ to determine whether the proposed rule change, as modified by Amendment No. 1, should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the amended proposal. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, the Commission seeks and encourages interested persons to provide additional comment on the proposed rule change, as modified by Amendment No. 1, to inform the Commission's analysis of whether to approve or disapprove the proposal.

Pursuant to Section 19(b)(2)(B) of the Act,¹¹⁶ the Commission is providing notice of the grounds for possible disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the amended proposal's consistency with:

¹¹³ The Exchange represents that it intends to become a Participant in the LULD Plan prior to launching MIAX PEARL Equities. See Notice, supra note 3, at 8068, n.87.

¹¹⁴ For a description of the order handling procedures under proposed Exchange Rule 2622(e), see id. at 8068.

¹¹⁵ 15 U.S.C. 78s(b)(2)(B).

¹¹⁶ Id. Section 19(b)(2)(B) of the Act also provides that proceedings to determine whether to disapprove a proposed rule change must be concluded within 180 days of the date of publication of notice of the filing of the proposed rule change. See id. The time for conclusion of the proceedings may be extended for up to 60 days if the Commission finds good cause for such extension and publishes its reasons for so finding, or if the exchange consents to the longer period. See id.

- Section 6(b)(1) of the Act, which requires, among other things, that a national securities exchange be so organized and have the capacity to carry out the purposes of the Act, and to comply and enforce compliance by its members and persons associated with its members, with the provisions of the Act, the rules and regulation thereunder, and the rules of the exchange;¹¹⁷ and
- Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be “designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade,” and “to protect investors and the public interest.”¹¹⁸

IV. Commission’s Solicitation of Comments

The Commission requests written views, data, and arguments with respect to the concerns identified above as well as any other relevant concerns. Such comments should be submitted by [insert date 21 days from date of publication in the Federal Register]. Rebuttal comments should be submitted by [insert date 35 days from date of publication in the Federal Register]. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.¹¹⁹

¹¹⁷ 15 U.S.C. 78f(b)(1).

¹¹⁸ 15 U.S.C. 78f(b)(5).

¹¹⁹ 15 U.S.C. 78s(b)(2). Section 19(b)(2) of the Act grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by an SRO. See Securities Acts Amendments of 1975, Report of the Senate Committee on Banking, Housing and Urban Affairs to Accompany S. 249, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

The Commission asks that commenters address the sufficiency and merit of the Exchange's statements in support of the proposed rule change, as modified by Amendment No. 1, in addition to any other comments they may wish to submit about the proposal.

Interested persons are invited to submit written data, views, and arguments concerning the proposed rule change, as modified by Amendment No. 1, including whether the proposal 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 No. SR-PEARL-2020-03 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 No. SR-PEARL-2020-03. The 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 such 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 publicly available. All submissions should refer to File No. SR-PEARL-2020-03 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register]. Rebuttal comments should be submitted by [insert date 35 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²⁰

J. Matthew DeLesDernier
Assistant Secretary

¹²⁰ 17 CFR 200.30-3(a)(57).