

Required fields are shown with yellow backgrounds and asterisks.

Filing by MIAX PEARL, LLC  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

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

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

Amend Chapter XVII, Consolidated Audit Trail Compliance Rule ("Compliance Rule") relating to the CAT Market Maker Quote Exception

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Christopher Last Name \* Solgan  
Title \* Vice President and Senior Counsel  
E-mail \* csolgan@miami-holdings.com  
Telephone \* (609) 897-8494 Fax

**Signature**

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

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

(Title \*)

Date 02/27/2020 SVP and Deputy General Counsel  
By Joseph W Ferraro III  
(Name \*)

jferraro@miami-holdings.com

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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

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

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

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**1. Text of the Proposed Rule Change**

(a) MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”), 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> proposes to amend Chapter XVII, Consolidated Audit Trail Compliance Rule (“Compliance Rule”) regarding the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”)<sup>3</sup> to be consistent with an exemption from the CAT NMS Plan regarding Options Market Makers’ reporting obligations.

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

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX PEARL Board of Directors on January 29, 2020. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions and comments on the proposed rule change may be directed to Chris Solgan, Vice President and Senior Counsel, at (609) 897-8494.

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

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

<sup>3</sup> Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (August 1, 2012) (“Adopting Release”). Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the Compliance Rule.

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

a. Purpose

Rule 613(c)(7) sets forth data recording and reporting requirements for the CAT NMS Plan. Specifically, Rule 613(c)(7), in relevant part, requires every member of a national securities exchange or national securities association to record and electronically report to the Central Repository details for each order and each Reportable Event. Options Market Maker quotes are included within the meaning of an “order” under Rule 613(j)(8), which defines an “order” to include “any bid or offer.” As a result, Rule 613(c)(7) states that the CAT NMS Plan must require every market maker on an options exchange to record and report all quotes and related Reportable Events to the Central Repository. Rule 613(c)(7) also requires the options exchanges to record and report the details of Options Market Maker quotes received by the options exchanges to the Central Repository. Given that the options exchanges and the Options Market Makers will be submitting virtually identical details concerning the Options Market Maker quotes to the Central Repository, the dual reporting of this information will at least double the size of the options quotation data reported to the CAT, which will create extensive overlap in the data elements reported.

To address the issue of double reporting of quote data, the Participants filed with the Commission a request for exemptive relief from certain provisions Rule 613(c)(7) such that the CAT NMS Plan could be amended so that only options exchanges would record and report details for each Options Market Maker quote and related Reportable Event to the Central Repository, while Options Market Makers would be relieved of their obligation to record and

report their quotes and related Reportable Events to the Central Repository.<sup>4</sup> As a condition to this exemption, each Industry Member that is an Options Market Maker shall report to the Exchange the time at which its quote in a Listed Option is sent to the Exchange (and, if applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker).

MIAX PEARL's Compliance Rule incorporates by reference Chapter XVII of the rules of its affiliate, Miami International Securities Exchange, LLC ("MIAX"), which is MIAX's Consolidated Audit Trail Compliance Rule.<sup>5</sup> Consistent with the above exemptive request, MIAX Rule 1703(a)(3) states that "[e]ach Industry Member that is an Options Market Maker is not required to report to the Central Repository the Industry Member Data regarding the routing, modification or cancellation of its quotes in Listed Options." MIAX Rule 1703(a)(3) further provides that "[e]ach Industry Member that is an Options Market Maker shall report to the Exchange the time at which its quote in a Listed Option is sent to the Exchange (and, if applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker)."

MIAX Rule 1703(a)(3) relieves Options Market Makers from reporting Industry Member Data to the Central Repository for quotes only and does not apply to orders. While MIAX Rule

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<sup>4</sup> Letter from Participants to Brent J. Fields, Secretary, Commission, Request for Exemptive Relief from Certain Provisions of SEC Rule 613 of Regulation NMS under the Securities Exchange Act of 1934 (January 31, 2015), available at <https://www.catnmsplan.com/wp-content/uploads/2017/03/p602383.pdf>. See also Letter from Participants to Brent J. Fields, Commission, Supplement to Request for Exemptive Relief from Certain Provisions of SEC Rule 613 of Regulation NMS under the Securities Exchange Act of 1934 (April 3, 2015), available at <https://www.catnmsplan.com/wp-content/uploads/2017/03/exemptivesupplement1-allocationsreports.pdf>.

<sup>5</sup> See Securities Exchange Act Release No. 80256 (March 15, 2017), 82 FR 14526 (March 21, 2017) (SR-PEARL-2017-04) (Order Approving Proposed Rule Changes To Adopt Consolidated Audit Trail Compliance Rules).

1703(a)(3) applies to MIAX PEARL by virtue of being incorporated by reference, it does not relieve Options Market Makers from reporting Industry Member Data to the Central Repository because on MIAX PEARL, Options Market Makers submit orders and not quotes for display on the MIAX PEARL Book. On MIAX PEARL, orders submitted by Options Market Makers function like quotes on other options exchanges, including MIAX. Like quotes on MIAX, order submitted by Options Market Makers with a time-in-force of Day or GTC that are not executed upon entry are posted to the MIAX PEARL Book.

To implement the above exemption and avoid duplicative reporting, MIAX PEARL proposes to amend its own compliance rule to state that orders submitted by Options Market Makers that are posted to the MIAX PEARL Book are considered quotes for purposes of the above exemption. Specifically, the Compliance Rule would state that “[f]or purposes of MIAX Rule 1703(a)(3), orders that are posted to the MIAX PEARL Book are considered quotes when submitted by an Options Market Maker in an assigned symbol on MIAX PEARL.”

The Exchange offers three time-in-force modifiers that Options Market Makers may attach to their orders: Day, Immediate-Or-Cancel (“IOC”), and Good-Till Cancel (“GTC”) and two interfaces of order entry, FIX and the MIAX Express Order interface (“MEO”).<sup>6</sup> An Options Market Maker must include a time-in-force of Day or GTC on its order for it to be posted on the MIAX PEARL Book and to meet its continuous quoting obligations under Exchange Rule 605(d).<sup>7</sup> The Exchange does not propose to exempt orders submitted by an

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<sup>6</sup> See Exchange Rule 516, Order Types. Not all order types and modifiers are available for use on each of the MEO Interface and the FIX Interface

<sup>7</sup> Only the time-in-force modifiers of IOC and Day are available on the MEO interface. See *id.* (noting that “[n]ot all order types and modifiers are available for use on each of the MEO Interface and the FIX Interface). See also Section 4.1.1.2 of the MEO Interface Specification, available at <https://www.miaxoptions.com/sites/default/files/page->

Options Market Maker with a time-in-force of IOC because those orders do not post to the PEARL Book and, therefore, do not count towards its continuous quoting obligations.<sup>8</sup> For the above reasons, the Exchange believes it is appropriate to only include Options Market Maker orders that are posted to the MIAX PEARL Book under this exemption because they function like quotes as they post on the MIAX PEARL Book and count towards an Options Market Maker's continuous quoting obligations.

Absent this proposed rule change, orders submitted to the Exchange would not be eligible for the exemption afforded to quotes as Options Market Makers would be required to report the details of their order and each Reportable Event to the Central Repository. This would result in the same duplicative reporting that the exemption prevents for quotes to occur for orders because both Options Market Makers and MIAX PEARL would submit virtually identical data to the Central Repository. As a result of this filing, double reporting would be avoided as only the Exchange will report all orders and Reportable Events to the Central Repository, as described above and required by the CAT NMS Plan. Options Market Makers on MIAX PEARL would be required to report to the Exchange the time at which its order in a Listed Option is sent to the Exchange and, if applicable, any subsequent order modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of

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[files/MIAX\\_Express\\_Orders\\_MEO\\_v2.0.pdf](#) (indicating that the time--in-force instructions of IOC and Day are available on the MEO interface).

<sup>8</sup> See Interpretation and Policies .01 to Exchange Rule 605 (stating that IOC orders from Market Makers will not be counted for the continuous quoting obligations set forth in paragraph (d) of this Rule 605).

Section 6(b)(5) of the Act<sup>9</sup>, which requires, among other things, that the Exchange rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 6(b)(8) of the Act<sup>10</sup>, which requires that the Exchange rules not impose any burden on competition that is not necessary or appropriate.

The exemption for quotes described above would avoid the submission to the Central Repository by exchange and Options Market Makers of virtually identical details concerning the Options Market Maker quotes to the Central Repository. This proposed rule change seeks to serve the same purpose regarding orders submitted by Options Market Makers on MIAX PEARL, dual reporting of information that will at least double the size of the options quotation data reported to the CAT and create extensive overlap in the data elements reported. As described above, on MIAX PEARL orders posted to the MIAX PEARL Book operate in an identical manner as quotes on other options exchanges.

The Exchange believes it is appropriate to limit the proposal to orders posted to the MIAX PEARL Book because those orders satisfy the Options Market Maker's two-sided quoting obligation. IOC orders would not be covered by the exemption because such orders do not post to the MIAX PEARL Book and do not count towards the Options Market Maker satisfying its two-sided quoting obligation.<sup>11</sup> The Exchange believes that this proposal is consistent with the Act because it would avoid the same dual reporting that was the subject of the exemption for orders and is currently covered by MIAX Rule 1703(a)(3). The proposal is consistent with this

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<sup>9</sup> 15 U.S.C. 78f(b)(6).

<sup>10</sup> 15 U.S.C. 78f(b)(8).

<sup>11</sup> See supra note 8.



exemption from the CAT NMS Plan and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the Plan.

In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”<sup>12</sup> As it will do for the quotes under the exemption, the Exchange will report all orders posted to the MIAX PEARL Book and Reportable Events to the Central Repository as required by the CAT NMS Plan. Options Market Makers on MIAX PEARL would be required to report to the Exchange the time at which its order in a Listed Option is sent to the Exchange and, if applicable, any subsequent order modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker. Therefore, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

#### **4. Self-Regulatory Organization’s Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule changes are consistent with the exemption from the CAT NMS Plan to avoid duplicative reporting for quotes and is designed to assist the Exchange and its Options Market Makers in meeting their regulatory obligations pursuant to the Plan. The Exchange also notes that this amendment to the Compliance Rule will apply equally to all Industry Members that are Options Market Makers. In addition, all options exchanges that accept orders and not quotes from their market makers are proposing similar amendments to their

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<sup>12</sup> Adopting Release, supra note 3 at 84697.

Compliance Rules. Therefore, this is not a competitive rule filing and does not impose a burden on competition.

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

No written comments were either solicited or received.

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

MIAX PEARL does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.<sup>13</sup>

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

Pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6)<sup>15</sup> thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The proposed rule change would not significantly affect the protection of investors or the public interest because it seeks to conform the Compliance Rule to be consistent with an exemption from the CAT NMS Plan. This proposed rule change seeks to avoid the same duplicative reporting that the exemption prevents for quotes to occur for orders because both Options Market Makers and MIAX PEARL would submit virtually identical data to the Central

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<sup>13</sup> 15 U.S.C. 78s(b)(2).

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

Repository. On MIAX PEARL, orders posted to the MIAX PEARL Book function like quotes and the proposed rule change seeks to subject orders submitted by Options Market Makers to the same reporting requirements applicable to quotes. Like for quotes on MIAX, Options Market Makers on MIAX PEARL would be required to report to the Exchange the time at which its order in a Listed Option is sent to MIAX PEARL and, if applicable, any subsequent order modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker. The Exchange also believes limiting the scope of the proposal to orders posted to the MIAX PEARL Book would not significantly affect the protection of investors or the public interest and is consistent with the exemption from the CAT NMS Plan. As discussed above, only orders posted to the MIAX PEARL Book satisfy Options Market Makers' two-sided quoting obligation. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>17</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.

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

As discussed in detail above, the proposed amendment to the Compliance Rules is consistent with the exemption from the CAT NMS Plan.

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

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

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

Not applicable.

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

Not applicable.

**11. Exhibits**

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

5. Text of proposed rule change.

**EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-PEARL-2020-04)

February \_\_, 2020

## Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC to Amend Chapter XVII, Consolidated Audit Trail Compliance Rule

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 February \_\_, 2020, MIAX 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 amend Chapter XVII, Consolidated Audit Trail Compliance Rule (“Compliance Rule”) regarding the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”)<sup>3</sup> to be consistent with an exemption from the CAT NMS Plan regarding Options Market Makers’ reporting obligations.

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.

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

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

<sup>3</sup> Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (August 1, 2012) (“Adopting Release”). Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the Compliance Rule.

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

Rule 613(c)(7) sets forth data recording and reporting requirements for the CAT NMS Plan. Specifically, Rule 613(c)(7), in relevant part, requires every member of a national securities exchange or national securities association to record and electronically report to the Central Repository details for each order and each Reportable Event. Options Market Maker quotes are included within the meaning of an “order” under Rule 613(j)(8), which defines an “order” to include “any bid or offer.” As a result, Rule 613(c)(7) states that the CAT NMS Plan must require every market maker on an options exchange to record and report all quotes and related Reportable Events to the Central Repository. Rule 613(c)(7) also requires the options exchanges to record and report the details of Options Market Maker quotes received by the options exchanges to the Central Repository. Given that the options exchanges and the Options Market Makers will be submitting virtually identical details concerning the Options Market Maker quotes to the Central Repository, the dual reporting of this information will at least double the size of the options quotation data reported to the CAT, which will create extensive overlap in the data elements reported.

To address the issue of double reporting of quote data, the Participants filed with the

Commission a request for exemptive relief from certain provisions Rule 613(c)(7) such that the CAT NMS Plan could be amended so that only options exchanges would record and report details for each Options Market Maker quote and related Reportable Event to the Central Repository, while Options Market Makers would be relieved of their obligation to record and report their quotes and related Reportable Events to the Central Repository.<sup>4</sup> As a condition to this exemption, each Industry Member that is an Options Market Maker shall report to the Exchange the time at which its quote in a Listed Option is sent to the Exchange (and, if applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker).

MIAX PEARL's Compliance Rule incorporates by reference Chapter XVII of the rules of its affiliate, Miami International Securities Exchange, LLC ("MIAX"), which is MIAX's Consolidated Audit Trail Compliance Rule.<sup>5</sup> Consistent with the above exemptive request, MIAX Rule 1703(a)(3) states that "[e]ach Industry Member that is an Options Market Maker is not required to report to the Central Repository the Industry Member Data regarding the routing, modification or cancellation of its quotes in Listed Options." MIAX Rule 1703(a)(3) further provides that "[e]ach Industry Member that is an Options Market Maker shall report to the Exchange the time at which its quote in a Listed Option is sent to the Exchange (and, if

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<sup>4</sup> Letter from Participants to Brent J. Fields, Secretary, Commission, Request for Exemptive Relief from Certain Provisions of SEC Rule 613 of Regulation NMS under the Securities Exchange Act of 1934 (January 31, 2015), available at <https://www.catnmsplan.com/wp-content/uploads/2017/03/p602383.pdf>. See also Letter from Participants to Brent J. Fields, Commission, Supplement to Request for Exemptive Relief from Certain Provisions of SEC Rule 613 of Regulation NMS under the Securities Exchange Act of 1934 (April 3, 2015), available at <https://www.catnmsplan.com/wp-content/uploads/2017/03/exemptivesupplement1-allocationsreports.pdf>.

<sup>5</sup> See Securities Exchange Act Release No. 80256 (March 15, 2017), 82 FR 14526 (March 21, 2017) (SR-PEARL-2017-04) (Order Approving Proposed Rule Changes To Adopt Consolidated Audit Trail Compliance Rules).

applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker).”

MIAX Rule 1703(a)(3) relieves Options Market Makers from reporting Industry Member Data to the Central Repository for quotes only and does not apply to orders. While MIAX Rule 1703(a)(3) applies to MIAX PEARL by virtue of being incorporated by reference, it does not relieve Options Market Makers from reporting Industry Member Data to the Central Repository because on MIAX PEARL, Options Market Makers submit orders and not quotes for display on the MIAX PEARL Book. On MIAX PEARL, orders submitted by Options Market Makers function like quotes on other options exchanges, including MIAX. Like quotes on MIAX, order submitted by Options Market Makers with a time-in-force of Day or GTC that are not executed upon entry are posted to the MIAX PEARL Book.

To implement the above exemption and avoid duplicative reporting, MIAX PEARL proposes to amend its own compliance rule to state that orders submitted by Options Market Makers that are posted to the MIAX PEARL Book are considered quotes for purposes of the above exemption. Specifically, the Compliance Rule would state that “[f]or purposes of MIAX Rule 1703(a)(3), orders that are posted to the MIAX PEARL Book are considered quotes when submitted by an Options Market Maker in an assigned symbol on MIAX PEARL.”

The Exchange offers three time-in-force modifiers that Options Market Makers may attach to their orders: Day, Immediate-Or-Cancel (“IOC”), and Good-Till Cancel (“GTC”) and two interfaces of order entry, FIX and the MIAX Express Order interface (“MEO”).<sup>6</sup> An Options Market Maker must include a time-in-force of Day or GTC on its order for it to be posted on the MIAX PEARL Book and to meet its continuous quoting obligations under

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<sup>6</sup> See Exchange Rule 516, Order Types. Not all order types and modifiers are available for use on each of the MEO Interface and the FIX Interface



Exchange Rule 605(d).<sup>7</sup> The Exchange does not propose to exempt orders submitted by an Options Market Maker with a time-in-force of IOC because those orders do not post to the PEARL Book and, therefore, do not count towards its continuous quoting obligations.<sup>8</sup> For the above reasons, the Exchange believes it is appropriate to only include Options Market Maker orders that are posted to the MIAX PEARL Book under this exemption because they function like quotes as they post on the MIAX PEARL Book and count towards an Options Market Maker's continuous quoting obligations.

Absent this proposed rule change, orders submitted to the Exchange would not be eligible for the exemption afforded to quotes as Options Market Makers would be required to report the details of their order and each Reportable Event to the Central Repository. This would result in the same duplicative reporting that the exemption prevents for quotes to occur for orders because both Options Market Makers and MIAX PEARL would submit virtually identical data to the Central Repository. As a result of this filing, double reporting would be avoided as only the Exchange will report all orders and Reportable Events to the Central Repository, as described above and required by the CAT NMS Plan. Options Market Makers on MIAX PEARL would be required to report to the Exchange the time at which its order in a Listed Option is sent to the Exchange and, if applicable, any subsequent order modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker.

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<sup>7</sup> Only the time-in-force modifiers of IOC and Day are available on the MEO interface. See id. (noting that “[n]ot all order types and modifiers are available for use on each of the MEO Interface and the FIX Interface). See also Section 4.1.1.2 of the MEO Interface Specification, available at [https://www.miaxoptions.com/sites/default/files/page-files/MIAX\\_Express\\_Orders\\_MEO\\_v2.0.pdf](https://www.miaxoptions.com/sites/default/files/page-files/MIAX_Express_Orders_MEO_v2.0.pdf) (indicating that the time--in-force instructions of IOC and Day are available on the MEO interface).

<sup>8</sup> See Interpretation and Policies .01 to Exchange Rule 605 (stating that IOC orders from Market Makers will not be counted for the continuous quoting obligations set forth in paragraph (d) of this Rule 605).

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b)(5) of the Act<sup>9</sup>, which requires, among other things, that the Exchange rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 6(b)(8) of the Act<sup>10</sup>, which requires that the Exchange rules not impose any burden on competition that is not necessary or appropriate.

The exemption for quotes described above would avoid the submission to the Central Repository by exchange and Options Market Makers of virtually identical details concerning the Options Market Maker quotes to the Central Repository. This proposed rule change seeks to serve the same purpose regarding orders submitted by Options Market Makers on MIAX PEARL, dual reporting of information that will at least double the size of the options quotation data reported to the CAT and create extensive overlap in the data elements reported. As described above, on MIAX PEARL orders posted to the MIAX PEARL Book operate in an identical manner as quotes on other options exchanges.

The Exchange believes it is appropriate to limit the proposal to orders posted to the MIAX PEARL Book because those orders satisfy the Options Market Maker's two-sided quoting obligation. IOC orders would not be covered by the exemption because such orders do not post to the MIAX PEARL Book and do not count towards the Options Market Maker satisfying its two-sided quoting obligation.<sup>11</sup> The Exchange believes that this proposal is consistent with the Act because it would avoid the same dual reporting that was the subject of the exemption for

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<sup>9</sup> 15 U.S.C. 78f(b)(6).

<sup>10</sup> 15 U.S.C. 78f(b)(8).

<sup>11</sup> See supra note 8.

orders and is currently covered by MIAX Rule 1703(a)(3). The proposal is consistent with this exemption from the CAT NMS Plan and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the Plan.

In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”<sup>12</sup> As it will do for the quotes under the exemption, the Exchange will report all orders posted to the MIAX PEARL Book and Reportable Events to the Central Repository as required by the CAT NMS Plan. Options Market Makers on MIAX PEARL would be required to report to the Exchange the time at which its order in a Listed Option is sent to the Exchange and, if applicable, any subsequent order modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker. Therefore, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule changes are consistent with the exemption from the CAT NMS Plan to avoid duplicative reporting for quotes and is designed to assist the Exchange and its Options Market Makers in meeting their regulatory obligations pursuant to the Plan. The Exchange also notes that this amendment to the Compliance Rule will apply equally to all Industry Members that are Options Market Makers. In addition, all options exchanges that

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<sup>12</sup> Adopting Release, supra note 3 at 84697.

accept orders and not quotes from their market makers are proposing similar amendments to their Compliance Rules. Therefore, this is not a competitive rule filing and does not impose a burden on competition.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>13</sup> and Rule 19b-4(f)(6)<sup>14</sup> thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);

or

- Send an e-mail [to rule-comments@sec.gov](mailto:to-rule-comments@sec.gov). Please include File Number SR-PEARL-2020-04 on the subject line.

Paper comments:

- Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-PEARL-2020-04. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the

Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-PEARL-2020-04 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>15</sup>

Vanessa Countryman  
Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).

New text is underlined.

Deleted text is in [brackets].

## **MIAX PEARL, LLC Rules**

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### **CHAPTER XVII. CONSOLIDATED AUDIT TRAIL COMPLIANCE RULE**

The rules contained in MIAX Chapter XVII, as such rules may be in effect from time to time (the “Chapter XVII Rules”), are hereby incorporated by reference into this MIAX PEARL Chapter XVII, and are thus MIAX PEARL Rules and thereby applicable to MIAX PEARL Members. MIAX PEARL Members shall comply with the Chapter XVII Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in Chapter XVII Rules shall be read to refer to the MIAX PEARL related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in Chapter XVII Rules shall be read to refer to MIAX PEARL; the defined term “Rule” in the Chapter XVII Rules shall be read to refer to the MIAX PEARL Rule; and the defined term “Member” in the Chapter XVII Rules shall be read to refer to the MIAX PEARL Member.

For purposes of MIAX Rule 1703(a)(3), orders that are posted to the MIAX PEARL Book are considered quotes when submitted by an Options Market Maker in an assigned symbol on MIAX PEARL.

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