Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 50

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2021 - * 07

Amendment No. (req. for Amendments *)

Filing by   MIAX PEARL, LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Rule

Pilot	Extension of Time Period for Commission Action *	Date Expires *	
☐	☐		☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
			☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
			☐ 19b-4(f)(3) ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *	Section 806(e)(2) *
☐	☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *
☐

Exhibit 2 Sent As Paper Document
▣

Exhibit 3 Sent As Paper Document
▣

Description

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

Amend Rule 2614, Orders and Order Instructions, to adopt the Minimum Execution Quantity ("MEQ") instruction.

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 * Chris   Last Name * Solgan

Title * Vice President, 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.

Date 03/01/2021

By Chris Solgan
(Name *)

(Title *)
Vice President, Senior Counsel

csolgan@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 *

[Add] [Remove] [View]

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

Exhibit 1 - Notice of Proposed Rule Change *

[Add] [Remove] [View]

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

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

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

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

[Add] [Remove] [View]

Exhibit Sent As Paper Document
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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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

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

(a) MIAX PEARL, LLC ("MIAX PEARL" or the "Exchange"), pursuant to the

provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4

thereunder,[2] is filing with the Securities and Exchange Commission (the "Commission") a

proposed rule change to amend Exchange Rule 2614, Orders and Order Instructions, to adopt the

Minimum Execution Quantity instruction.

A 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

or his designee pursuant to authority delegated by the MIAX PEARL Board of Directors on

January 28, 2021. Exchange staff will advise the Board of Directors of any action taken pursuant

to delegated authority.

Questions and comments on the proposed rule change may be directed to Chris Solgan,

Vice President and Senior Counsel, at (609) 423-9414.

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

a.   Purpose

The purpose of the proposed rule change is to amend Exchange Rule 2614, Orders and

Order Instructions, to adopt the Minimum Execution Quantity ("MEQ") instruction that

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

would be available to orders in equity securities traded on the Exchange's equity trading

platform (referred to herein as "MIAX PEARL Equities"). An MEQ instruction would

enable a User[3] to specify a minimum share amount at which the order will execute. An

order to buy (sell) with an MEQ instruction would not execute unless the volume of orders

to sell (buy) meets or exceeds the order to buy (sell)'s designated minimum quantity

condition. The proposed MEQ instruction is based on similar functionality offered at other

exchanges.[4]

The Exchange understands that some market participants avoid sending large orders

to MIAX PEARL Equities out of concern that such orders may interact with small orders

entered by professional traders, possibly adversely impacting the execution of their larger

order. Institutional orders are often much larger in size than the average order in the

marketplace. To facilitate the liquidation or acquisition of a large position, market

participants tend to submit multiple orders into the market that may only represent a

fraction of the overall institutional position to be executed. Various strategies used by

institutional market participants to execute large orders are intended to limit price

movement of the security at issue. Executing in small sizes may impact the market for that

security such that the additional orders the market participant has yet to enter into the

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[3]   Exchange Rule 1901 defines the term "User" as "any Member or Sponsored Participant
         who is authorized to obtain access to the System pursuant to Exchange Rule 2602."

[4]   See, e.g., Cboe BYX Exchange, Inc. ("BYX") and Cboe BZX Exchange, Inc. Rules
         11.9(c)(5), Cboe EDGA Exchange, Inc. ("EDGA") and Cboe EDGX Exchange, Inc.
         ("EDGX", collectively with BYX, BZX, and EDGA, the "Cboe Equity Exchanges")
         Rules 11.6(h), New York Stock Exchange LLC ("NYSE") Rule 7.31(i)(3), NYSE Arca,
         Inc. ("NYSE Arca") Rule 7.31-E(i)(3), NYSE American LLC ("NYSE American",
         collectively with NYSE and NYSE Arca, the "NYSE Exchanges") Rule 7.31E(i)(3),
         Investors Exchange, Inc. ("IEX") Rule 11.190(h)(11), The NASDAQ Stock Market LLC
         ("NASDAQ") Rule 4703(e), and MEMX LLC ("MEMX") Rule 11.6(f).

market may be more costly to execute. If an institution is able to execute in larger sizes, the

contra-party to the execution is less likely to be a participant that reacts to short term

changes in the stock price, and as such, the price impact to the stock may be less acute

when larger individual executions are obtained.[5] As a result, these orders are often

executed away from the Exchange in dark pools or other exchanges that offer the same

functionality as proposed herein,[6] or via broker-dealer internalization.

To attract larger orders, the Exchange proposes to add new optional functionality in

the form of the MEQ instruction. The proposed MEQ instruction would be described under

new paragraph (c)(7) of Exchange Rule 2614 and described as an instruction a User may

attach to a non-displayed order requiring the System to execute the order only to the extent

that a minimum quantity can be satisfied. Accordingly, the Exchange also proposes to

amend Exchange Rule 2614(a) to specify that the MEQ instruction may be attached to a

non-displayed Limit Order,[7] a Market Order, and a Midpoint Peg Order.

Operation Upon Entry

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[5]   The Commission has long recognized this concern: "[a]nother type of implicit transaction cost reflected in the price of a security is short-term price volatility caused by temporary imbalances in trading interest. For example, a significant implicit cost for large investors (who often represent the consolidated investments of many individuals) is the price impact that their large trades can have on the market. Indeed, disclosure of these large orders can reduce the likelihood of their being filled." See Securities Exchange Act Release No. 42450 (February 23, 2000), 65 FR 10577, 10581 (February 28, 2000) (SR-NYSE-99-48).

[6]   See supra note 4.

[7]   Unlike the Cboe Equity Exchanges and MEMX, the Exchange will not permit displayed Limit Orders with a time-in-force of Immediate-or-Cancel ("IOC") to include a minimum quantity condition. See, e.g., EDGX Rule 11.8(b)(3). See also MEMX Rule 11.8(b)(2).

The proposed MEQ instruction would operate differently upon entry than when resting on the MIAX PEARL Equities Book.[8] Proposed Exchange Rule 2614(c)(7)(A) would describe the operation of the MEQ instruction upon entry and provide that an order with an MEQ will execute upon entry against individual orders resting on the MIAX PEARL Equities Book that each satisfy the order's minimum quantity condition. Subparagraph (c)(7)(A)(i) to Exchange Rule 2614 would provide that a User may alternatively specify that the incoming order's minimum quantity condition need not be satisfied by each individual resting order and that the order's minimum quantity condition be satisfied by one or multiple orders resting on the MIAX PEARL Equities Book that in the aggregate satisfy the order's minimum quantity condition.[9]

Subparagraph (c)(7)(A) to Exchange Rule 2614 would also provide that if there are orders that satisfy the minimum quantity condition, but there are also orders that do not satisfy the minimum quantity condition, the order with the MEQ instruction will execute against orders resting on the MIAX PEARL Equities Book in accordance with Rule 2616, Priority of Orders, until it reaches an order that does not satisfy the minimum quantity condition, and then the

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[8]   Exchange Rule 1901 defines the term "MIAX PEARL Equities Book" as "the electronic book of orders in equity securities maintained by the System."

[9]   The Exchange notes that this functionality is similar to that of the Cboe Equity Exchanges with the exception of the proposed default behavior. The CBOE Equity Exchanges default orders with a minimum execution quantity to execute against multiple aggregated contra-side orders upon entry. See, e.g., EDGX Rule 11.6(h). The NYSE Exchanges and NASDAQ provide both alternatives but do not provide a default. See, e.g., NYSE Rule 7.31(i)(3) and NASDAQ Rule 4703(e). The Exchange also notes that MEMX only allows orders with a minimum execution quantity to execute against a single order that satisfies the orders minimum quantity condition upon entry and does not provide for multiple contra-side orders to be aggregated to meet the order's minimum quantity condition. See MEMX Rule 11.6(f).

remainder of the order with an MEQ instruction will be posted to the MIAX PEARL Equities

Book or cancelled in accordance with the terms of the order.[10]

The following example illustrates when a User elects for an order with an MEQ

instruction to execute upon entry against any number of smaller contra-side orders that, in

aggregate, meet the order's minimum quantity condition. Assume there are two orders to sell at

$10.00 resting on the MIAX PEARL Equities Book – the first for 300 shares and a second for

400 shares, with the 300 share order having time priority ahead of the 400 share order. If a User

entered an order with an MEQ instruction to buy 700 shares at $10.00 with a minimum quantity

of 500 shares, and the order was marketable against the two resting sell orders for 300 and 400

shares, the System would aggregate both sell orders for purposes of meeting the minimum

quantity, thus resulting in executions of 300 shares and then 400 shares respectively.

Following from the above example, assume, however, that the User did not make an

affirmative election that their order with an MEQ instruction execute against multiple contra-side

orders that, in aggregate, meet the order's minimum quantity condition, such that the order with

an MEQ instruction will execute against only individual contra-side orders upon entry that each

satisfy the minimum quantity condition. Assume further that the User elected a minimum

quantity condition at 400 shares. The order with an MEQ instruction would not execute against

the two sell orders because the 300 share order with time priority at the top of the MIAX PEARL

Equities Book is less than the incoming order's 400 share minimum quantity condition. The

order with an MEQ instruction would then be cancelled or posted to the MIAX PEARL Equities

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[10]   This behavior is identical to that of the Cboe Equity Exchanges and MEMX. See, e.g.,
         EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

Book, non-displayed, when encountering an order with time priority that is of insufficient size to satisfy its minimum quantity condition.

Operation When Resting on the MIAX PEARL Equities Book

Proposed Exchange Rule 2614(c)(7)(B) would describe the operation of orders with an MEQ instruction when resting on the MIAX PEARL Equities Book. Specifically, proposed Exchange Rule 2614(c)(7)(B) would provide that where there is insufficient size to satisfy an incoming order's minimum quantity condition, that incoming order with an MEQ instruction and a time-in-force of Regular Hours Only ("RHO")[11] will not trade and will be posted on the MIAX PEARL Equities Book. Subparagraph (c)(7)(B)(i) of Exchange Rule 2614 would provide that when posted on the MIAX PEARL Equities Book, the order may only execute against individual incoming orders with a size that satisfies the minimum quantity condition.[12]

Subparagraph (c)(7)(B)(i)(1) of Exchange Rule 2614 would provide that an order with an MEQ instruction cedes execution priority when it would lock or cross an order against which it would otherwise execute if it were not for the minimum quantity condition.[13] The following example illustrates this behavior. Assume the NBBO is $10.00 by $10.10 and no orders are resting on the MIAX PEARL Equities Book. A non-displayed order to sell 100 shares at $10.10 is entered and posted to the MIAX PEARL Equities Book ("Order A"). A non-displayed order to buy 700 shares at $10.10 with a minimum quantity condition to execute against a single order of 500 shares is then entered and posted to the

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[11]   Exchange Rule 2614(b)(2).

[12]   This behavior is identical to that of the Cboe Equity Exchanges and MEMX. See, e.g., EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

[13]   Id.

MIAX PEARL Equities Book ("Order B"). Order B does not execute against Order A because Order A does not satisfy Order B's minimum quantity condition of 500 shares. As a result, Order A is posted to the MIAX PEARL Equities Book at $10.10, creating an internally locked book. An order to buy 100 shares at $10.10 is then entered and executes against Order A at $10.10 for 100 shares ahead of Order B because Order B's minimum quantity condition of 500 shares requires it now execute against a single incoming order that is of sufficient size to satisfy its minimum quantity condition.

Subparagraph (c)(7)(B)(i)(2) of Exchange Rule 2614 would provide that if a resting non-displayed sell (buy) order did not meet the minimum quantity condition of a same-priced resting order to buy (sell) with an MEQ instruction, a subsequently arriving sell (buy) order that meets the minimum quantity condition will trade ahead of such resting non-displayed sell (buy) order at that price. The following example illustrates this behavior. Assume the NBBO is $10.00 by $10.10 and no orders are resting on the MIAX PEARL Equities Book. A non-displayed order to buy 700 shares at $10.10 with a minimum quantity condition to execute against a single order of 500 shares is entered and posted to the MIAX PEARL Equities Book ("Order A"). A non-displayed order to sell 100 shares at $10.10 is then entered and posted to the MIAX PEARL Equities Book ("Order B"). Order B does not execute against Order A because Order B does not satisfy Order A's single minimum quantity condition of 500 shares. As a result, Order B is posted to the MIAX PEARL Equities Book at $10.10, creating an internally locked book. An order to sell 500 shares at $10.10 is then entered and executes against Order A at $10.10 for 500 shares because the incoming order is of sufficient size to satisfy Order A's minimum quantity condition of 500 shares.

To reduce the occurrences of an internally crossed non-displayed market, the Exchange proposes to re-price incoming orders with an MEQ instruction where that order would be posted at a price that may cross a displayed order posted on the MIAX PEARL Equities Book. Subparagraph (c)(7)(B)(ii) of Exchange Rule 2614 would provide that where there is insufficient size to satisfy the minimum quantity condition of an incoming order to buy (sell) and that incoming order, if posted at its limit price, would cross a displayed order to sell (buy) resting on the MIAX PEARL Equities Book, the order to buy (sell) with the Minimum Execution Quantity instruction will have a working price equal to the price of the displayed order to sell (buy).[14] For example, an order to buy at $11.00 with a minimum quantity condition of 500 shares is entered and there is a displayed order resting on the MIAX PEARL Equities Book to sell 200 shares at $10.99. The resting order to sell does not contain sufficient size to satisfy the incoming order's minimum quantity condition of 500 shares. The price of the incoming buy order, if posted to the MIAX PEARL Equities Book, would cross the price of the resting sell order. In such case, to avoid an internally crossed book, the System will re-price the incoming buy order to $10.99, the locking price.

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[14] The Exchange notes that this behavior proposed by the Exchange was previously adopted by the Cboe Exchanges. See e.g., Securities Exchange Act Release No. 81457 (August 22, 2017), 82 FR 40812 (August 28, 2017 (SR-BatsEDGX-2017-34). The Cboe Equity Exchanges subsequently amended this functionality to cancel an order with a minimum quantity condition where, if posted, it would lock or cross the displayed price of an order on their book. See, e.g., Securities Exchange Act Release No. 82943 (March 23, 2018), 83 FR 13574 (March 29, 2018) (SR-CboeEDGX-2018-008).

This functionality is also similar to the Exchange's current Non-Displayed Price Sliding Process where the Exchange re-prices a non-displayed order to buy (sell) that would cross the PBO (PBB) of an away Trading Center to the locking price. See Exchange Rule 2614(g)(2). The only difference being that the Exchange would re-price an order with an MEQ instruction that crosses the PBO (PBB) of the Exchange in addition to the PBO (PBB) of an away Trading Center. The Exchange also notes that both NASDAQ and IEX also re-price orders with a minimum quantity condition upon entry. See NASDAQ Rule 4703(e) and IEX Rule 11.190(h)(2).

As discussed above, proposed subparagraph (c)(7)(B)(ii) of Exchange Rule 2614 seeks to prevent incoming orders with an MEQ instruction from being posted to the MIAX PEARL Equities Book at a price that crosses resting displayed contra-side orders by re-pricing the order with an MEQ instruction to the locking price. However, once resting on the MIAX PEARL Equities Book, it is possible that an incoming order may be of insufficient size to satisfy the resting order's minimum quantity condition, and therefore, post on the MIAX PEARL Equities Book at a price that crosses the resting order with a minimum quantity condition, resulting in an internally crossed non-displayed book. To address intra-market priority in such a scenario, the Exchange proposes to adopt subparagraph (c)(7)(B)(iii) of Exchange Rule 2614 to describe when an order with an MEQ instruction would not be eligible to trade to prevent executions from occurring that may be inconsistent with intra-market price priority or would result in a non-displayed order trading ahead of a same-priced, same-side displayed order. The Exchange would not permit an order with an MEQ instruction that crosses other displayed or non-displayed orders on the MIAX PEARL Equities Book to trade at prices that are worse than the price of such contra-side orders. The Exchange would also not permit a resting order with an MEQ instruction to trade at a price equal to a contra-side displayed order.

Specifically, proposed Exchange Rule 2614(c)(7)(B)(iii) would provide that an order to buy (sell) with an MEQ instruction that is posted to the MIAX PEARL Equities Book will not be eligible to trade: (1) at a price equal to or above (below) any sell (buy) displayed orders that have a ranked price equal to or below (above) the price of such order with a Minimum Execution Quantity instruction; or (2) at a price above (below) any sell (buy) non-displayed order that has a

ranked price below (above) the price of such order with a Minimum Execution Quantity instruction.[15]

Subparagraph (c)(7)(B)(iv) of Exchange Rule 2614 would provide that an order with an MEQ instruction that crosses an order on the MIAX PEARL Equities Book may execute at a price less aggressive than its ranked price against an incoming order so long as such execution is consistent with the above restrictions. The Exchange notes that this behavior is consistent with that of other exchanges.[16]

The following examples describe the proposed operation of an order with a Minimum Execution Quantity during an internally crossed market. This first example addresses intra-market priority amongst an order with an MEQ instruction and other non-displayed orders in an internally crossed market as well as when an execution may occur at prices less aggressive than the resting order's ranked price. Assume the NBBO is $10.10 by $10.16. A Midpoint Peg Order to buy with a minimum quantity condition to execute against a single order of 100 shares is resting on the MIAX PEARL Equities Book at $10.13, the midpoint of the NBBO ("Order A"). A non-displayed order to sell 50 shares at $10.12 is then entered ("Order B"). Because Order A's minimum quantity condition cannot be met, Order B will not trade with Order A and will be posted and ranked on the MIAX PEARL Equities Book at $10.12, its limit price. The Exchange now has a non-displayed buy order crossing a non-displayed sell order on the MIAX PEARL Equities Book. Then a non-displayed order to sell 25 shares at $10.11 is entered ("Order C"). Like was the case for Order B, Order C does not

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[15]   This behavior is identical to that of the Cboe Equity Exchanges, MEMX, and the NYSE Exchanges. See, e.g., EDGX Rule 11.6(h), MEMX Rule 11.6(f), and NYSE Rule 7.31(i)(3)(C).

[16]   This behavior is identical to that of the Cboe Equity Exchanges and MEMX. See, e.g., EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

satisfy Order A's minimum quantity condition and Order C is posted and ranked on the

MIAX PEARL Equities Book at $10.11, its limit price. The Exchange now has a non-

displayed buy order crossing both non-displayed sell orders on the MIAX PEARL Equities

Book. If the Exchange then receives an order to sell for 100 shares at $10.11 ("Order D"),[17]

although Order D would be marketable against Order A at $10.13, it would not trade at

$10.13 because it is above the price of all resting sell orders. Order D will instead execute

against Order A at $10.11, receiving price improvement relative to the midpoint of the

NBBO.

This second example addresses intra-market priority amongst displayed orders, non-

displayed orders with an MEQ instruction and other non-displayed orders. The Exchange

notes that the below behavior is not unique to an internally crossed market as the Exchange's

priority rule, 2616(a), currently prohibits non-displayed orders, which would include non-

displayed orders with an MEQ instruction, from trading ahead of same-priced, same-side

displayed orders. Assume the NBBO is $10.00 by $10.04. A non-displayed order to buy

500 shares at $10.00 is resting on the MIAX PEARL Equities Book ("Order A"). A

displayed order to buy 100 shares at $10.00 is then entered and posted to the MIAX PEARL

Equities Book ("Order B"). The Exchange receives a non-displayed order to sell 600 shares

at $10.00 with a minimum quantity condition to execute against a single order of 500 shares

("Order C"). Although Order A satisfies Order C's minimum quantity condition and has

time priority ahead of Order B, no execution occurs because Order B is a displayed order and

has execution priority over Order A, a non-displayed order. Order C does not execute

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17   The Exchange understands that on the NYSE Exchanges, Order D will be posted to the
          book at $10.11 and not execute against Order A at $10.13.

against Order B because Order B does not satisfy Order C's minimum quantity condition.

Order C is then posted to the MIAX PEARL Equities Book at $10.00, non-displayed.

Partial Executions

Proposed Exchange Rule 2614(c)(7)(C) would describe the handling of orders with an

MEQ instruction that are partially executed either upon arrival or when resting on the MIAX

PEARL Equities Book. Specifically, subparagraph (c)(7)(C) of Exchange Rule 2614 would

provide that an order with an MEQ instruction may be partially executed so long as the execution

size of the individual order or aggregate size of multiple orders, as applicable, is equal to or

exceeds the minimum quantity condition provided in the instruction. Subparagraph (c)(7)(C)(i)

of Exchange Rule 2614 would provide that any shares remaining after a partial execution will

continue to be executed at a size that is equal to or exceeds the quantity provided in the

instruction. Subparagraph (c)(7)(C)(ii) of Exchange Rule 2614 would provide that where the

number of shares remaining are less than the minimum quantity condition provided in the

instruction, the minimum quantity condition shall be equal to the number of shares remaining.[18]

Routing

An order with an MEQ instruction would be non-routable. Proposed Exchange Rule

2614(c)(7)(D) would provide that orders that include an MEQ instruction would not be

eligible to be routed to an away Trading Center in accordance with Exchange Rule

2617(b).[19]

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[18]   The Exchange notes that this behavior is identical to that of the Cboe Equity Exchanges.
        See, e.g., EDGX Rule 11.6(h) (stating that "[w]here the number of shares remaining after
        a partial execution are less than the quantity provided in the instruction, the Minimum
        Execution Quantity shall be equal to the number of shares remaining"). See also IEX
        Rule 11.190(h)(11)(G)(ii)(b).

[19]   This behavior is identical to that of the Cboe Equity Exchanges and MEMX. See, e.g.,
        EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

Operation of Order with an MEQ Instruction Pre-Open and during the Opening and
Re-Opening Processes

Currently, Exchange Rule 2600(a) provides that the Exchange will not accept orders

designated as Post Only with a time-in-force of RHO, ISOs, and all orders with a time-in-

force of IOC prior to 9:30 a.m. Eastern Time. Likewise, Exchange Rule 2600(a) would be

amended to also provide that orders with an MEQ instruction will not be accepted prior to

9:30 a.m. Eastern Time.[20]

Orders with an MEQ instruction will also not be eligible to participate in either the

opening or re-opening process described under Exchange Rule 2615. Specifically, the

Exchange proposes to amend subparagraph (a)(1) of Exchange Rule 2615 to provide that

orders with an MEQ instruction are not eligible to participate in the opening process and

subparagraph (e) of Exchange Rule 2615 would provide that orders with an MEQ

instruction that are to participate in the re-opening process will be cancelled or rejected.[21]

Implementation

Due to the technological changes associated with this proposed change, the

Exchange will issue a trading alert publicly announcing the implementation date of this

proposed rule change. The Exchange anticipates that the implementation date will be in

either the second or third quarter of 2021.

b.   Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,[22] in general, and

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[20]   The Exchange notes that this is similar to the Cboe Equity Exchanges. See, e.g., EDGX
         Rule 11.1(a)(1).

[21]   The Exchange notes that this is similar to the Cboe Equity Exchanges. See, e.g., EDGX
         Rule 11.7(a)(2) and (e)(1).

[22]   15 U.S.C. 78f(b).

furthers the objectives of Section 6(b)(5),[23] in particular, because it is designed to prevent

fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to

foster cooperation and coordination with persons engaged in regulating, clearing, settling,

processing information with respect to, and facilitating transactions in securities, to remove

impediments to and perfect the mechanism of a free and open market and a national market

system, and, in general, to protect investors and the public interest. The proposed rule change

would remove impediments to and promote just and equitable principles of trade because it

would provide market participants, including institutional firms who ultimately represent

individual retail investors in many cases, with optional functionality that would provide them

with better control over their orders. Therefore, the proposal would also provide them with

greater potential to improve the quality of their order executions.

As discussed above, the functionality proposed herein would enable Users to avoid

transacting with smaller orders that they believe ultimately increases the cost of the transaction.

Because the Exchange does not have this functionality, the Exchange believes that market

participants, such as large institutions that transact a large number of orders on behalf of retail

investors, have avoided sending large orders to the Exchange to avoid potentially more

expensive transactions.[24] In this regard, the Exchange notes that the proposed new optional

MEQ instruction may improve the Exchange's market by attracting more order flow. Such new

order flow will further enhance the depth and liquidity on the Exchange, which supports just and

equitable principles of trade. Furthermore, the proposed MEQ instruction is consistent with

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[23]   15 U.S.C. 78f(b)(5).

[24]   As noted, the proposal is designed to attract liquidity to the Exchange by allowing market participants to designate a minimum size of a contra-side order to interact with, thus providing them with functionality available to them on dark markets.

providing market participants with greater control over the nature of their executions so that they may achieve their trading goals and improve the quality of their executions.

Furthermore, the Exchange believes its proposal promotes just and equitable principles of trade because the proposed operation of the MEQ instruction is based on similar functionality at other exchanges.[25] As described further below, while the operation varies in certain ways from that of other exchanges, no aspect of the proposed MEQ instructions operation is unique to the Exchange and is already in place at other exchanges that offer minimum trade size functionality.

The proposal allows Users to designate the minimum individual execution size upon entry or alternatively designate a minimum acceptable quantity on an order that may aggregate multiple executions to meet the minimum quantity requirement. The Exchange notes this proposed default behavior is the only area where the proposal differs from that of other exchanges. Most other equity exchanges provide their members the option for their order with a minimum execution quantity instruction to execute upon entry against a single order or multiple orders in the aggregate. The CBOE Equity Exchanges default orders with a minimum execution quantity to execute against multiple aggregated orders upon entry. NASDAQ, the NYSE Exchanges, and IEX do not provide a default and require that their members make an election upon entry. MEMX is the only exchange that does not provide both options and only allows orders with a minimum execution quantity to execute against a single contra-side order upon entry. The Exchange believes this difference is immaterial as, like most other exchanges, both options will continue to be available to Users. The Exchange believes its proposal to default orders with an MEQ instruction to execute against individual orders that each meet minimum quantity condition upon entry promotes just and equitable principles of trade because it based on

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[25]   See supra note 4.

discussions with market participants and would enable Users to avoid interacting with small orders entered by professional traders without making an affirmative election to do so, possibly adversely impacting the execution of their larger order. Once posted to the MIAX PEARL Equities Book, the MEQ instruction operates like that of other exchanges where the order would only be eligible to execute against a single contra-side order.[26]

The Exchange also believes that re-pricing incoming orders with an MEQ instruction where that order may cross a displayed order posted on the MIAX PEARL Equities Book promotes just and equitable principles of trade because it enables the Exchange to avoid an internally crossed book. The proposed re-pricing is also similar to how the Exchange currently reprices non-displayed orders that cross the Protected Quotation of an external market.[27] The Exchange notes that this behavior was previously adopted by the Cboe Exchanges.[28] In addition, both IEX and NASDAQ also re-price minimum quantity orders to avoid an internally crossed book. In certain circumstances, NASDAQ re-prices buy (sell) orders to one minimum price increment below (above) the lowest (highest) price of resting orders that do not satisfy the minimum quantity condition.[29] IEX re-prices non-displayed orders, such as minimum quantity orders, that include a limit price more aggressive than the midpoint of the NBBO to the midpoint

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[26]   See EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

[27]   See Exchange Rule 2614(g)(2).

[28]   See, e.g., Securities Exchange Act Release No. 81457 (August 22, 2017), 82 FR 40812 (August 28, 2017 (SR-BatsEDGX-2017-34). The Cboe Equity Exchanges subsequently amended this functionality to cancel an order with a minimum quantity condition where, if posted, it would lock or cross the displayed price of an order on their book. See, e.g., Securities Exchange Act Release No. 82943 (March 23, 2018), 83 FR 13574 (March 29, 2018) (SR-CboeEDGX-2018-008).

[29]   See NASDAQ Rule 4703(e). For example, NASDAQ Rule 4703(e) provides that if there was an order to buy at $11 with a minimum quantity condition of 500 shares, and there were resting orders on the NASDAQ Book to sell 200 shares at $10.99 and 300 shares at $11, the order would be repriced to $10.98 and ranked at that price.

of the NBBO.[30] Moreover, the proposed optional aggregation functionality for the MEQ

instruction is substantially similar to that offered by NASDAQ and IEX, both of which have

been approved by the Commission.[31]

The proposed rule change also removes impediments to and perfects the mechanism of a

free and open market and a national market system because it would ensure that there would not

be an execution of a resting order with an MEQ instruction that either would be inconsistent with

intra-market price priority or would result in a non-displayed order trading ahead of a same-side,

same-priced displayed order. Specifically, the proposed rule change would protect displayed

orders by preventing an order with an MEQ instruction from executing where it is locked by a

contra-side displayed order. The proposed rule change also protects intra-market price priority

by preventing a resting order with an MEQ instruction from executing where it is crossed by

either a displayed or non-displayed order on the MIAX PEARL Equities Book. The Exchange

also believes it is reasonable for: (i) an order with an MEQ instruction to cede execution priority

when it would lock or cross an order against which it would otherwise execute if it were not for

the minimum quantity condition; and (ii) a resting non-displayed order to cede execution priority

to a subsequently arriving same-side order where that order is of sufficient size to satisfy a

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[30]   See IEX Rule 11.190(h)(2).

[31]   See Securities Exchange Act Release No. 73959 (December 30, 2014), 80 FR 582
         (January 6, 2015) (order approving new optional functionality for Minimum Quantity
         Orders). See IEX Rule 11.190(b)(11) and Supplementary Material .03 (defining
         Minimum Quantity Orders and MinExec with Cancel Remaining and MinExec with
         AON Remaining). See also Securities Exchange Act Release No. 78101 (June 17, 2016),
         81 FR 41141 (June 23, 2016) (order approving the IEX exchange application, which
         included IEX's Minimum Quantity Orders). The Exchange also notes that a letter was
         submitted in strong support of NASDAQ at the time they proposed similar changes to the
         operation of their Minimum Quantity order attribute under NASDAQ Rule 4703(e). See
         letter to the Commission from James J. Angel, Associate Professor of Finance,
         Georgetown University, dated November 26, 2014.

resting contra-side order's minimum quantity condition because doing so in both cases facilitates executions in accordance with the terms and conditions of each order. This portion of the proposed rule change is also substantially similar to minimum execution functionality on the Cboe Equity Exchanges and MEMX.[32]

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In fact, the Exchange believes that the proposal may have a positive effect on competition because it will enable the Exchange to offer functionality substantially similar to that offered by the Cboe Equity Exchanges, the NYSE Exchanges, NASDAQ, MEMX, and IEX.[33] As noted above, the Exchange believes its lack of this functionality has put it at a competitive disadvantage as market participants, such as large institutions that transact a large number of orders on behalf of retail investors, have avoided sending large orders to the Exchange to avoid potentially more expensive transactions. This proposal is designed to allow the Exchange to directly compete with other exchanges that offer similar minimum quantity functionality. The proposal would therefore promote competition because it is designed to attract liquidity to the Exchange by allowing market participants to designate a minimum size of a contra-side interest to interact with, thus providing them with functionality available to them on dark markets and other exchanges.

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.

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[32]   See supra note 4.

[33]   Id.

6.   Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A) of the Act[34] and Rule 19b-4(f)(6)[35] 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 Exchange believes that the proposed rule change does not significantly affect the

protection of investors or the public interest because it would provide Users optional

functionality that would allow them to avoid transacting with smaller orders that they believe

ultimately increases the cost of the transaction. Because the Exchange does not have this

functionality, we understand that market participants, such as large institutions that transact a

large number of orders on behalf of retail investors, have avoided sending large orders to the

Exchange to avoid potentially more expensive transactions. If a User is able to execute in larger

sizes, the contra-party to the execution is less likely to be a participant that reacts to short term

changes in the stock price, and as such, the price impact to the stock may be less acute when

larger individual executions are obtained. The proposed MEQ instruction protects investors

because it provides market participants with greater control over the nature of their executions so

that they may achieve their trading goals and improve the quality of their executions.

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[34]   15 U.S.C. 78s(b)(3)(A).

[35]   17 CFR 240.19b-4(f)(6).

Additionally, the Exchange believes the proposed rule change will not significantly affect the protection of investors or the public interest and will impose no significant burden on competition as other exchanges also offer minimum trade size functionality.[36] However, the Exchange notes this proposed rule change only differs from other exchanges in one area. Specifically, proposed Exchange Rule 2614(c)(7)(A) would allow Users to default to requiring that each individual single contra-side order meet the minimum quantity condition or, alternatively, affirmatively elect for the aggregation of multiple contra-side orders to meet the minimum quantity requirement upon entry. Most other equity exchanges provide their members the option for their order with a minimum execution quantity to execute upon entry against a single order or multiple aggregated orders. The CBOE Equity Exchanges default orders with a minimum execution quantity to executing against multiple aggregated orders upon entry. NASDAQ, the NYSE Exchanges, and IEX do not provide a default and require that their members make an election upon entry. MEMX is the only exchange that does not provide both options and only allows orders with a minimum execution quantity to execute against a single contra-side order upon entry. The Exchange believes this difference is immaterial as, like most other exchanges, both options will continue to be available to Users. The Exchange believes its proposal to default orders with an MEQ instruction to execute against individual orders that each meet the minimum quantity condition upon entry would enable Users to avoid interacting with small orders entered by professional traders that may adversely impact the execution of the User's larger order, without making an affirmative election to do so. The Exchange's proposed default is also more in-line with MEMX, which only allows orders with a minimum execution quantity to execute against individual contra-side orders that each satisfy the minimum quantity

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[36]   See supra note 4.

condition upon entry, while providing orders with an MEQ instruction the alternative to execute

against multiple aggregated orders upon entry if they choose to. Once posted to the MIAX

PEARL Equities Book, the MEQ instruction operates like that of other exchange where the order

would only be eligible to execute against a single contra-side order.[37] Therefore, the Exchange

believes this difference is immaterial and the proposed MEQ instruction does not raise any new

or novel regulatory issues that have not been already considered by the Commission.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change

under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the

Commission. At any time within 60 days of the filing of the proposed rule change, the

Commission summarily may temporarily suspend such rule change if it appears to the

Commission that such action is necessary or appropriate in the public interest, for the protection

of investors, or otherwise in furtherance of the purposes of the Act.

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

The proposed rule change is based on BYX and BZX Rules 11.9(c)(5), EDGA and EDGX

Rules 11.6(h), NYSE Rule 7.31(i)(3), NYSE Arca Rule 7.31-E(i)(3), NYSE American

7.31E(i)(3), IEX Rule 11.190(h)(11), NASDAQ Rule 4703(e), and MEMX Rule 11.6(f). The

Exchange notes this proposed rule change only differs from other exchanges in one area.

Specifically, proposed Exchange Rule 2614(c)(7)(A) would allow Users to default to requiring

that each individual single contra-side order meet the minimum quantity condition or,

alternatively, affirmatively elect for the aggregation of multiple contra-side orders to meet the

minimum quantity requirement upon entry. Most other equity exchanges provide their members

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[37]   See EDGX Rule 11.6(h), and MEMX Rule 11.6(f).

the option for their order with a minimum execution quantity to execute upon entry against a single order or multiple aggregated orders. The CBOE Equity Exchanges default orders with a minimum execution quantity to executing against multiple aggregated orders upon entry. NASDAQ, the NYSE Exchanges, and IEX do not provide a default and require that their members make an election upon entry. MEMX is the only exchange that does not provide both options and only allows orders with a minimum execution quantity to execute against a single contra-side order upon entry. The Exchange believes this difference is immaterial as, like most other exchanges, both options will continue to be available to Users. The Exchange believes its proposal to default orders with an MEQ instruction to execute against individual orders that each meet the minimum quantity condition upon entry would enable Users to avoid interacting with small orders entered by professional traders that may adversely impact the execution of the User's larger order, without making an affirmative election to do so. The Exchange's proposed default is also more in-line with MEMX, which only allows orders with a minimum execution quantity to execute against individual contra-side orders that each satisfy the minimum quantity condition upon entry, while providing orders with an MEQ instruction the alternative to execute against multiple aggregated orders upon entry if they choose to. Once posted to the MIAX PEARL Equities Book, the MEQ instruction operates like that of other exchanges where the order would only be eligible to execute against a single contra-side order.[38]

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

   Not applicable.

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

   Not applicable.

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[38]   See EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

11. <u>**Exhibits**</u>

    1. Notice of proposed rule for publication in the <u>Federal</u> <u>Register</u>.

    5. Text of proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-PEARL-2021-07)

March__, 2021

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC to Amend Exchange Rule 2614, Orders and Order Instructions, to adopt the Minimum Execution Quantity Instruction

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934

("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March ____, 2021, 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 proposed rule change to amend Exchange Rule 2614, Orders

and Order Instructions, to adopt the Minimum Execution Quantity instruction.

The text of the proposed rule change is available on the Exchange's website at

http://www.miaxoptions.com/rule-filings/pearl at MIAX PEARL's principal office, and at the

Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the

purpose of and basis for the proposed rule change and discussed any comments it received on

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

the proposed rule change. The text of these statements may be examined at the places specified

in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C

below, of the most significant aspects of such statements.

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

      1.   Purpose

The purpose of the proposed rule change is to amend Exchange Rule 2614, Orders and

Order Instructions, to adopt the Minimum Execution Quantity ("MEQ") instruction that

would be available to orders in equity securities traded on the Exchange's equity trading

platform (referred to herein as "MIAX PEARL Equities"). An MEQ instruction would

enable a User[3] to specify a minimum share amount at which the order will execute. An

order to buy (sell) with an MEQ instruction would not execute unless the volume of orders

to sell (buy) meets or exceeds the order to buy (sell)'s designated minimum quantity

condition. The proposed MEQ instruction is based on similar functionality offered at other

exchanges.[4]

The Exchange understands that some market participants avoid sending large orders

to MIAX PEARL Equities out of concern that such orders may interact with small orders

entered by professional traders, possibly adversely impacting the execution of their larger

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[3]   Exchange Rule 1901 defines the term "User" as "any Member or Sponsored Participant
       who is authorized to obtain access to the System pursuant to Exchange Rule 2602."

[4]   See, e.g., Cboe BYX Exchange, Inc. ("BYX") and Cboe BZX Exchange, Inc. Rules
       11.9(c)(5), Cboe EDGA Exchange, Inc. ("EDGA") and Cboe EDGX Exchange, Inc.
       ("EDGX", collectively with BYX, BZX, and EDGA, the "Cboe Equity Exchanges")
       Rules 11.6(h), New York Stock Exchange LLC ("NYSE") Rule 7.31(i)(3), NYSE Arca,
       Inc. ("NYSE Arca") Rule 7.31-E(i)(3), NYSE American LLC ("NYSE American",
       collectively with NYSE and NYSE Arca, the "NYSE Exchanges") Rule 7.31E(i)(3),
       Investors Exchange, Inc. ("IEX") Rule 11.190(h)(11), The NASDAQ Stock Market LLC
       ("NASDAQ") Rule 4703(e), and MEMX LLC ("MEMX") Rule 11.6(f).

order. Institutional orders are often much larger in size than the average order in the

marketplace. To facilitate the liquidation or acquisition of a large position, market

participants tend to submit multiple orders into the market that may only represent a

fraction of the overall institutional position to be executed. Various strategies used by

institutional market participants to execute large orders are intended to limit price

movement of the security at issue. Executing in small sizes may impact the market for that

security such that the additional orders the market participant has yet to enter into the

market may be more costly to execute. If an institution is able to execute in larger sizes, the

contra-party to the execution is less likely to be a participant that reacts to short term

changes in the stock price, and as such, the price impact to the stock may be less acute

when larger individual executions are obtained.[5] As a result, these orders are often

executed away from the Exchange in dark pools or other exchanges that offer the same

functionality as proposed herein,[6] or via broker-dealer internalization.

To attract larger orders, the Exchange proposes to add new optional functionality in

the form of the MEQ instruction. The proposed MEQ instruction would be described under

new paragraph (c)(7) of Exchange Rule 2614 and described as an instruction a User may

attach to a non-displayed order requiring the System to execute the order only to the extent

that a minimum quantity can be satisfied. Accordingly, the Exchange also proposes to

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[5]   The Commission has long recognized this concern: "[a]nother type of implicit transaction
        cost reflected in the price of a security is short-term price volatility caused by temporary
        imbalances in trading interest. For example, a significant implicit cost for large investors
        (who often represent the consolidated investments of many individuals) is the price
        impact that their large trades can have on the market. Indeed, disclosure of these large
        orders can reduce the likelihood of their being filled." See Securities Exchange Act
        Release No. 42450 (February 23, 2000), 65 FR 10577, 10581 (February 28, 2000) (SR-
        NYSE-99-48).

[6]   See supra note 4.

amend Exchange Rule 2614(a) to specify that the MEQ instruction may be attached to a

non-displayed Limit Order,[7] a Market Order, and a Midpoint Peg Order.

Operation Upon Entry

The proposed MEQ instruction would operate differently upon entry than when resting

on the MIAX PEARL Equities Book.[8] Proposed Exchange Rule 2614(c)(7)(A) would describe

the operation of the MEQ instruction upon entry and provide that an order with an MEQ will

execute upon entry against individual orders resting on the MIAX PEARL Equities Book that

each satisfy the order's minimum quantity condition. Subparagraph (c)(7)(A)(i) to Exchange

Rule 2614 would provide that a User may alternatively specify that the incoming order's

minimum quantity condition need not be satisfied by each individual resting order and that the

order's minimum quantity condition be satisfied by one or multiple orders resting on the MIAX

PEARL Equities Book that in the aggregate satisfy the order's minimum quantity condition.[9]

Subparagraph (c)(7)(A) to Exchange Rule 2614 would also provide that if there are

orders that satisfy the minimum quantity condition, but there are also orders that do not satisfy

the minimum quantity condition, the order with the MEQ instruction will execute against orders

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[7]   Unlike the Cboe Equity Exchanges and MEMX, the Exchange will not permit displayed
        Limit Orders with a time-in-force of Immediate-or-Cancel ("IOC") to include a minimum
        quantity condition. See, e.g., EDGX Rule 11.8(b)(3). See also MEMX Rule 11.8(b)(2).

[8]   Exchange Rule 1901 defines the term "MIAX PEARL Equities Book" as "the electronic
        book of orders in equity securities maintained by the System."

[9]   The Exchange notes that this functionality is similar to that of the Cboe Equity
        Exchanges with the exception of the proposed default behavior. The CBOE Equity
        Exchanges default orders with a minimum execution quantity to execute against multiple
        aggregated contra-side orders upon entry. See, e.g., EDGX Rule 11.6(h). The NYSE
        Exchanges and NASDAQ provide both alternatives but do not provide a default. See,
        e.g., NYSE Rule 7.31(i)(3) and NASDAQ Rule 4703(e). The Exchange also notes that
        MEMX only allows orders with a minimum execution quantity to execute against a
        single order that satisfies the orders minimum quantity condition upon entry and does not
        provide for multiple contra-side orders to be aggregated to meet the order's minimum
        quantity condition. See MEMX Rule 11.6(f).

resting on the MIAX PEARL Equities Book in accordance with Rule 2616, Priority of Orders,

until it reaches an order that does not satisfy the minimum quantity condition, and then the

remainder of the order with an MEQ instruction will be posted to the MIAX PEARL Equities

Book or cancelled in accordance with the terms of the order.[10]

The following example illustrates when a User elects for an order with an MEQ

instruction to execute upon entry against any number of smaller contra-side orders that, in

aggregate, meet the order's minimum quantity condition. Assume there are two orders to sell at

$10.00 resting on the MIAX PEARL Equities Book – the first for 300 shares and a second for

400 shares, with the 300 share order having time priority ahead of the 400 share order. If a User

entered an order with an MEQ instruction to buy 700 shares at $10.00 with a minimum quantity

of 500 shares, and the order was marketable against the two resting sell orders for 300 and 400

shares, the System would aggregate both sell orders for purposes of meeting the minimum

quantity, thus resulting in executions of 300 shares and then 400 shares respectively.

Following from the above example, assume, however, that the User did not make an

affirmative election that their order with an MEQ instruction execute against multiple contra-side

orders that, in aggregate, meet the order's minimum quantity condition, such that the order with

an MEQ instruction will execute against only individual contra-side orders upon entry that each

satisfy the minimum quantity condition. Assume further that the User elected a minimum

quantity condition at 400 shares. The order with an MEQ instruction would not execute against

the two sell orders because the 300 share order with time priority at the top of the MIAX PEARL

Equities Book is less than the incoming order's 400 share minimum quantity condition. The

order with an MEQ instruction would then be cancelled or posted to the MIAX PEARL Equities

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[10]   This behavior is identical to that of the Cboe Equity Exchanges and MEMX. See, e.g.,
         EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

Book, non-displayed, when encountering an order with time priority that is of insufficient size to satisfy its minimum quantity condition.

Operation When Resting on the MIAX PEARL Equities Book

Proposed Exchange Rule 2614(c)(7)(B) would describe the operation of orders with an MEQ instruction when resting on the MIAX PEARL Equities Book. Specifically, proposed Exchange Rule 2614(c)(7)(B) would provide that where there is insufficient size to satisfy an incoming order's minimum quantity condition, that incoming order with an MEQ instruction and a time-in-force of Regular Hours Only ("RHO")[11] will not trade and will be posted on the MIAX PEARL Equities Book. Subparagraph (c)(7)(B)(i) of Exchange Rule 2614 would provide that when posted on the MIAX PEARL Equities Book, the order may only execute against individual incoming orders with a size that satisfies the minimum quantity condition.[12]

Subparagraph (c)(7)(B)(i)(1) of Exchange Rule 2614 would provide that an order with an MEQ instruction cedes execution priority when it would lock or cross an order against which it would otherwise execute if it were not for the minimum quantity condition.[13] The following example illustrates this behavior. Assume the NBBO is $10.00 by $10.10 and no orders are resting on the MIAX PEARL Equities Book. A non-displayed order to sell 100 shares at $10.10 is entered and posted to the MIAX PEARL Equities Book ("Order A"). A non-displayed order to buy 700 shares at $10.10 with a minimum quantity condition to execute against a single order of 500 shares is then entered and posted to the

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[11]   Exchange Rule 2614(b)(2).

[12]   This behavior is identical to that of the Cboe Equity Exchanges and MEMX. See, e.g., EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

[13]   Id.

MIAX PEARL Equities Book ("Order B"). Order B does not execute against Order A because Order A does not satisfy Order B's minimum quantity condition of 500 shares. As a result, Order A is posted to the MIAX PEARL Equities Book at $10.10, creating an internally locked book. An order to buy 100 shares at $10.10 is then entered and executes against Order A at $10.10 for 100 shares ahead of Order B because Order B's minimum quantity condition of 500 shares requires it now execute against a single incoming order that is of sufficient size to satisfy its minimum quantity condition.

Subparagraph (c)(7)(B)(i)(2) of Exchange Rule 2614 would provide that if a resting non-displayed sell (buy) order did not meet the minimum quantity condition of a same-priced resting order to buy (sell) with an MEQ instruction, a subsequently arriving sell (buy) order that meets the minimum quantity condition will trade ahead of such resting non-displayed sell (buy) order at that price. The following example illustrates this behavior. Assume the NBBO is $10.00 by $10.10 and no orders are resting on the MIAX PEARL Equities Book. A non-displayed order to buy 700 shares at $10.10 with a minimum quantity condition to execute against a single order of 500 shares is entered and posted to the MIAX PEARL Equities Book ("Order A"). A non-displayed order to sell 100 shares at $10.10 is then entered and posted to the MIAX PEARL Equities Book ("Order B"). Order B does not execute against Order A because Order B does not satisfy Order A's single minimum quantity condition of 500 shares. As a result, Order B is posted to the MIAX PEARL Equities Book at $10.10, creating an internally locked book. An order to sell 500 shares at $10.10 is then entered and executes against Order A at $10.10 for 500 shares because the incoming order is of sufficient size to satisfy Order A's minimum quantity condition of 500 shares.

To reduce the occurrences of an internally crossed non-displayed market, the Exchange proposes to re-price incoming orders with an MEQ instruction where that order would be posted at a price that may cross a displayed order posted on the MIAX PEARL Equities Book. Subparagraph (c)(7)(B)(ii) of Exchange Rule 2614 would provide that where there is insufficient size to satisfy the minimum quantity condition of an incoming order to buy (sell) and that incoming order, if posted at its limit price, would cross a displayed order to sell (buy) resting on the MIAX PEARL Equities Book, the order to buy (sell) with the Minimum Execution Quantity instruction will have a working price equal to the price of the displayed order to sell (buy).[14] For example, an order to buy at $11.00 with a minimum quantity condition of 500 shares is entered and there is a displayed order resting on the MIAX PEARL Equities Book to sell 200 shares at $10.99. The resting order to sell does not contain sufficient size to satisfy the incoming order's minimum quantity condition of 500 shares. The price of the incoming buy order, if posted to the MIAX PEARL Equities Book, would cross the price of the resting sell order. In such case, to avoid an internally crossed book, the System will re-price the incoming buy order to $10.99, the locking price.

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[14]   The Exchange notes that this behavior proposed by the Exchange was previously adopted by the Cboe Exchanges. See e.g., Securities Exchange Act Release No. 81457 (August 22, 2017), 82 FR 40812 (August 28, 2017 (SR-BatsEDGX-2017-34). The Cboe Equity Exchanges subsequently amended this functionality to cancel an order with a minimum quantity condition where, if posted, it would lock or cross the displayed price of an order on their book. See, e.g., Securities Exchange Act Release No. 82943 (March 23, 2018), 83 FR 13574 (March 29, 2018) (SR-CboeEDGX-2018-008).

This functionality is also similar to the Exchange's current Non-Displayed Price Sliding Process where the Exchange re-prices a non-displayed order to buy (sell) that would cross the PBO (PBB) of an away Trading Center to the locking price. See Exchange Rule 2614(g)(2). The only difference being that the Exchange would re-price an order with an MEQ instruction that crosses the PBO (PBB) of the Exchange in addition to the PBO (PBB) of an away Trading Center. The Exchange also notes that both NASDAQ and IEX also re-price orders with a minimum quantity condition upon entry. See NASDAQ Rule 4703(e) and IEX Rule 11.190(h)(2).

As discussed above, proposed subparagraph (c)(7)(B)(ii) of Exchange Rule 2614 seeks to prevent incoming orders with an MEQ instruction from being posted to the MIAX PEARL Equities Book at a price that crosses resting displayed contra-side orders by re-pricing the order with an MEQ instruction to the locking price. However, once resting on the MIAX PEARL Equities Book, it is possible that an incoming order may be of insufficient size to satisfy the resting order's minimum quantity condition, and therefore, post on the MIAX PEARL Equities Book at a price that crosses the resting order with a minimum quantity condition, resulting in an internally crossed non-displayed book. To address intra-market priority in such a scenario, the Exchange proposes to adopt subparagraph (c)(7)(B)(iii) of Exchange Rule 2614 to describe when an order with an MEQ instruction would not be eligible to trade to prevent executions from occurring that may be inconsistent with intra-market price priority or would result in a non-displayed order trading ahead of a same-priced, same-side displayed order. The Exchange would not permit an order with an MEQ instruction that crosses other displayed or non-displayed orders on the MIAX PEARL Equities Book to trade at prices that are worse than the price of such contra-side orders. The Exchange would also not permit a resting order with an MEQ instruction to trade at a price equal to a contra-side displayed order.

Specifically, proposed Exchange Rule 2614(c)(7)(B)(iii) would provide that an order to buy (sell) with an MEQ instruction that is posted to the MIAX PEARL Equities Book will not be eligible to trade: (1) at a price equal to or above (below) any sell (buy) displayed orders that have a ranked price equal to or below (above) the price of such order with a Minimum Execution Quantity instruction; or (2) at a price above (below) any sell (buy) non-displayed order that has a

ranked price below (above) the price of such order with a Minimum Execution Quantity instruction.[15]

Subparagraph (c)(7)(B)(iv) of Exchange Rule 2614 would provide that an order with an MEQ instruction that crosses an order on the MIAX PEARL Equities Book may execute at a price less aggressive than its ranked price against an incoming order so long as such execution is consistent with the above restrictions. The Exchange notes that this behavior is consistent with that of other exchanges.[16]

The following examples describe the proposed operation of an order with a Minimum Execution Quantity during an internally crossed market. This first example addresses intra-market priority amongst an order with an MEQ instruction and other non-displayed orders in an internally crossed market as well as when an execution may occur at prices less aggressive than the resting order's ranked price. Assume the NBBO is $10.10 by $10.16. A Midpoint Peg Order to buy with a minimum quantity condition to execute against a single order of 100 shares is resting on the MIAX PEARL Equities Book at $10.13, the midpoint of the NBBO ("Order A"). A non-displayed order to sell 50 shares at $10.12 is then entered ("Order B"). Because Order A's minimum quantity condition cannot be met, Order B will not trade with Order A and will be posted and ranked on the MIAX PEARL Equities Book at $10.12, its limit price. The Exchange now has a non-displayed buy order crossing a non-displayed sell order on the MIAX PEARL Equities Book. Then a non-displayed order to sell 25 shares at $10.11 is entered ("Order C"). Like was the case for Order B, Order C does not

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[15]   This behavior is identical to that of the Cboe Equity Exchanges, MEMX, and the NYSE Exchanges. See, e.g., EDGX Rule 11.6(h), MEMX Rule 11.6(f), and NYSE Rule 7.31(i)(3)(C).

[16]   This behavior is identical to that of the Cboe Equity Exchanges and MEMX. See, e.g., EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

satisfy Order A's minimum quantity condition and Order C is posted and ranked on the

MIAX PEARL Equities Book at $10.11, its limit price. The Exchange now has a non-

displayed buy order crossing both non-displayed sell orders on the MIAX PEARL Equities

Book. If the Exchange then receives an order to sell for 100 shares at $10.11 ("Order D"),[17]

although Order D would be marketable against Order A at $10.13, it would not trade at

$10.13 because it is above the price of all resting sell orders. Order D will instead execute

against Order A at $10.11, receiving price improvement relative to the midpoint of the

NBBO.

This second example addresses intra-market priority amongst displayed orders, non-

displayed orders with an MEQ instruction and other non-displayed orders. The Exchange

notes that the below behavior is not unique to an internally crossed market as the Exchange's

priority rule, 2616(a), currently prohibits non-displayed orders, which would include non-

displayed orders with an MEQ instruction, from trading ahead of same-priced, same-side

displayed orders. Assume the NBBO is $10.00 by $10.04. A non-displayed order to buy

500 shares at $10.00 is resting on the MIAX PEARL Equities Book ("Order A"). A

displayed order to buy 100 shares at $10.00 is then entered and posted to the MIAX PEARL

Equities Book ("Order B"). The Exchange receives a non-displayed order to sell 600 shares

at $10.00 with a minimum quantity condition to execute against a single order of 500 shares

("Order C"). Although Order A satisfies Order C's minimum quantity condition and has

time priority ahead of Order B, no execution occurs because Order B is a displayed order and

has execution priority over Order A, a non-displayed order. Order C does not execute

against Order B because Order B does not satisfy Order C's minimum quantity condition.

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[17]   The Exchange understands that on the NYSE Exchanges, Order D will be posted to the
        book at $10.11 and not execute against Order A at $10.13.

Order C is then posted to the MIAX PEARL Equities Book at $10.00, non-displayed.

Partial Executions

Proposed Exchange Rule 2614(c)(7)(C) would describe the handling of orders with an

MEQ instruction that are partially executed either upon arrival or when resting on the MIAX

PEARL Equities Book. Specifically, subparagraph (c)(7)(C) of Exchange Rule 2614 would

provide that an order with an MEQ instruction may be partially executed so long as the execution

size of the individual order or aggregate size of multiple orders, as applicable, is equal to or

exceeds the minimum quantity condition provided in the instruction. Subparagraph (c)(7)(C)(i)

of Exchange Rule 2614 would provide that any shares remaining after a partial execution will

continue to be executed at a size that is equal to or exceeds the quantity provided in the

instruction. Subparagraph (c)(7)(C)(ii) of Exchange Rule 2614 would provide that where the

number of shares remaining are less than the minimum quantity condition provided in the

instruction, the minimum quantity condition shall be equal to the number of shares remaining.[18]

Routing

An order with an MEQ instruction would be non-routable. Proposed Exchange Rule

2614(c)(7)(D) would provide that orders that include an MEQ instruction would not be

eligible to be routed to an away Trading Center in accordance with Exchange Rule

2617(b).[19]

Operation of Order with an MEQ Instruction Pre-Open and during the Opening and
Re-Opening Processes

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[18]   The Exchange notes that this behavior is identical to that of the Cboe Equity Exchanges.
         See, e.g., EDGX Rule 11.6(h) (stating that "[w]here the number of shares remaining after
         a partial execution are less than the quantity provided in the instruction, the Minimum
         Execution Quantity shall be equal to the number of shares remaining"). See also IEX
         Rule 11.190(h)(11)(G)(ii)(b).

[19]   This behavior is identical to that of the Cboe Equity Exchanges and MEMX. See, e.g.,
         EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

Currently, Exchange Rule 2600(a) provides that the Exchange will not accept orders designated as Post Only with a time-in-force of RHO, ISOs, and all orders with a time-in-force of IOC prior to 9:30 a.m. Eastern Time. Likewise, Exchange Rule 2600(a) would be amended to also provide that orders with an MEQ instruction will not be accepted prior to 9:30 a.m. Eastern Time.[20]

Orders with an MEQ instruction will also not be eligible to participate in either the opening or re-opening process described under Exchange Rule 2615. Specifically, the Exchange proposes to amend subparagraph (a)(1) of Exchange Rule 2615 to provide that orders with an MEQ instruction are not eligible to participate in the opening process and subparagraph (e) of Exchange Rule 2615 would provide that orders with an MEQ instruction that are to participate in the re-opening process will be cancelled or rejected.[21]

Implementation

Due to the technological changes associated with this proposed change, the Exchange will issue a trading alert publicly announcing the implementation date of this proposed rule change. The Exchange anticipates that the implementation date will be in either the second or third quarter of 2021.

2.   Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,[22] in general, and furthers the objectives of Section 6(b)(5),[23] in particular, because it is designed to prevent

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[20]   The Exchange notes that this is similar to the Cboe Equity Exchanges. See, e.g., EDGX Rule 11.1(a)(1).

[21]   The Exchange notes that this is similar to the Cboe Equity Exchanges. See, e.g., EDGX Rule 11.7(a)(2) and (e)(1).

[22]   15 U.S.C. 78f(b).

[23]   15 U.S.C. 78f(b)(5).

fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The proposed rule change would remove impediments to and promote just and equitable principles of trade because it would provide market participants, including institutional firms who ultimately represent individual retail investors in many cases, with optional functionality that would provide them with better control over their orders. Therefore, the proposal would also provide them with greater potential to improve the quality of their order executions.

As discussed above, the functionality proposed herein would enable Users to avoid transacting with smaller orders that they believe ultimately increases the cost of the transaction. Because the Exchange does not have this functionality, the Exchange believes that market participants, such as large institutions that transact a large number of orders on behalf of retail investors, have avoided sending large orders to the Exchange to avoid potentially more expensive transactions.[24] In this regard, the Exchange notes that the proposed new optional MEQ instruction may improve the Exchange's market by attracting more order flow. Such new order flow will further enhance the depth and liquidity on the Exchange, which supports just and equitable principles of trade. Furthermore, the proposed MEQ instruction is consistent with providing market participants with greater control over the nature of their executions so that they may achieve their trading goals and improve the quality of their executions.

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[24]   As noted, the proposal is designed to attract liquidity to the Exchange by allowing market participants to designate a minimum size of a contra-side order to interact with, thus providing them with functionality available to them on dark markets.

Furthermore, the Exchange believes its proposal promotes just and equitable principles of trade because the proposed operation of the MEQ instruction is based on similar functionality at other exchanges.[25] As described further below, while the operation varies in certain ways from that of other exchanges, no aspect of the proposed MEQ instructions operation is unique to the Exchange and is already in place at other exchanges that offer minimum trade size functionality.

The proposal allows Users to designate the minimum individual execution size upon entry or alternatively designate a minimum acceptable quantity on an order that may aggregate multiple executions to meet the minimum quantity requirement. The Exchange notes this proposed default behavior is the only area where the proposal differs from that of other exchanges. Most other equity exchanges provide their members the option for their order with a minimum execution quantity instruction to execute upon entry against a single order or multiple orders in the aggregate. The CBOE Equity Exchanges default orders with a minimum execution quantity to execute against multiple aggregated orders upon entry. NASDAQ, the NYSE Exchanges, and IEX do not provide a default and require that their members make an election upon entry. MEMX is the only exchange that does not provide both options and only allows orders with a minimum execution quantity to execute against a single contra-side order upon entry. The Exchange believes this difference is immaterial as, like most other exchanges, both options will continue to be available to Users. The Exchange believes its proposal to default orders with an MEQ instruction to execute against individual orders that each meet minimum quantity condition upon entry promotes just and equitable principles of trade because it based on discussions with market participants and would enable Users to avoid interacting with small orders entered by professional traders without making an affirmative election to do so, possibly

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[25]   See supra note 4.

adversely impacting the execution of their larger order. Once posted to the MIAX PEARL

Equities Book, the MEQ instruction operates like that of other exchanges where the order would

only be eligible to execute against a single contra-side order.[26]

The Exchange also believes that re-pricing incoming orders with an MEQ instruction

where that order may cross a displayed order posted on the MIAX PEARL Equities Book

promotes just and equitable principles of trade because it enables the Exchange to avoid an

internally crossed book. The proposed re-pricing is also similar to how the Exchange currently

reprices non-displayed orders that cross the Protected Quotation of an external market.[27] The

Exchange notes that this behavior was previously adopted by the Cboe Exchanges.[28] In addition,

both IEX and NASDAQ also re-price minimum quantity orders to avoid an internally crossed

book. In certain circumstances, NASDAQ re-prices buy (sell) orders to one minimum price

increment below (above) the lowest (highest) price of resting orders that do not satisfy the

minimum quantity condition.[29] IEX re-prices non-displayed orders, such as minimum quantity

orders, that include a limit price more aggressive than the midpoint of the NBBO to the midpoint

of the NBBO.[30] Moreover, the proposed optional aggregation functionality for the MEQ

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26   See EDGX Rule 11.6(h) and MEMX Rule 11.6(f).

27   See Exchange Rule 2614(g)(2).

28   See, e.g., Securities Exchange Act Release No. 81457 (August 22, 2017), 82 FR 40812
        (August 28, 2017 (SR-BatsEDGX-2017-34). The Cboe Equity Exchanges subsequently
        amended this functionality to cancel an order with a minimum quantity condition where,
        if posted, it would lock or cross the displayed price of an order on their book. See, e.g.,
        Securities Exchange Act Release No. 82943 (March 23, 2018), 83 FR 13574 (March 29,
        2018) (SR-CboeEDGX-2018-008).

29   See NASDAQ Rule 4703(e). For example, NASDAQ Rule 4703(e) provides that if there
        was an order to buy at $11 with a minimum quantity condition of 500 shares, and there
        were resting orders on the NASDAQ Book to sell 200 shares at $10.99 and 300 shares at
        $11, the order would be repriced to $10.98 and ranked at that price.

30   See IEX Rule 11.190(h)(2).

instruction is substantially similar to that offered by NASDAQ and IEX, both of which have

been approved by the Commission.[31]

The proposed rule change also removes impediments to and perfects the mechanism of a

free and open market and a national market system because it would ensure that there would not

be an execution of a resting order with an MEQ instruction that either would be inconsistent with

intra-market price priority or would result in a non-displayed order trading ahead of a same-side,

same-priced displayed order. Specifically, the proposed rule change would protect displayed

orders by preventing an order with an MEQ instruction from executing where it is locked by a

contra-side displayed order. The proposed rule change also protects intra-market price priority

by preventing a resting order with an MEQ instruction from executing where it is crossed by

either a displayed or non-displayed order on the MIAX PEARL Equities Book. The Exchange

also believes it is reasonable for: (i) an order with an MEQ instruction to cede execution priority

when it would lock or cross an order against which it would otherwise execute if it were not for

the minimum quantity condition; and (ii) a resting non-displayed order to cede execution priority

to a subsequently arriving same-side order where that order is of sufficient size to satisfy a

resting contra-side order's minimum quantity condition because doing so in both cases facilitates

executions in accordance with the terms and conditions of each order. This portion of the

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[31]   See Securities Exchange Act Release No. 73959 (December 30, 2014), 80 FR 582
         (January 6, 2015) (order approving new optional functionality for Minimum Quantity
         Orders). See IEX Rule 11.190(b)(11) and Supplementary Material .03 (defining
         Minimum Quantity Orders and MinExec with Cancel Remaining and MinExec with
         AON Remaining). See also Securities Exchange Act Release No. 78101 (June 17, 2016),
         81 FR 41141 (June 23, 2016) (order approving the IEX exchange application, which
         included IEX's Minimum Quantity Orders). The Exchange also notes that a letter was
         submitted in strong support of NASDAQ at the time they proposed similar changes to the
         operation of their Minimum Quantity order attribute under NASDAQ Rule 4703(e). See
         letter to the Commission from James J. Angel, Associate Professor of Finance,
         Georgetown University, dated November 26, 2014.

proposed rule change is also substantially similar to minimum execution functionality on the

Cboe Equity Exchanges and MEMX.[32]

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

The Exchange does not believe that the proposed rule change will impose any burden on

competition that is not necessary or appropriate in furtherance of the purposes of the Act. In fact,

the Exchange believes that the proposal may have a positive effect on competition because it will

enable the Exchange to offer functionality substantially similar to that offered by the Cboe

Equity Exchanges, the NYSE Exchanges, NASDAQ, MEMX, and IEX.[33] As noted above, the

Exchange believes its lack of this functionality has put it at a competitive disadvantage as market

participants, such as large institutions that transact a large number of orders on behalf of retail

investors, have avoided sending large orders to the Exchange to avoid potentially more

expensive transactions. This proposal is designed to allow the Exchange to directly compete

with other exchanges that offer similar minimum quantity functionality. The proposal would

therefore promote competition because it is designed to attract liquidity to the Exchange by

allowing market participants to designate a minimum size of a contra-side interest to interact

with, thus providing them with functionality available to them on dark markets and other

exchanges.

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

Written comments were neither solicited nor received.

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

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[32]   See supra note 4.

[33]   Id.

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[34] and Rule 19b-4(f)(6)[35] thereunder.

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

IV.   Solicitation of Comments

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

Electronic comments:

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

☐ Send an e-mail to rule-comments@sec.gov. Please include File Number SR-PEARL-2021-07 on the subject line.

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[34]   15 U.S.C. 78s(b)(3)(A).

[35]   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.

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-2021-07. 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-2021-07 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.[36]

Vanessa Countryman
Secretary

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[36]   17 CFR 200.30-3(a)(12).

New text is <u>underlined;</u>
Deleted text is in [brackets]

MIAX PEARL, LLC Rules

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Rule 2600.   Hours of Trading and Trading Days

(a) Orders may be entered into the System from 7:30 a.m. until 4:00 p.m. Eastern Time (or such earlier time as may be designated by the Exchange on a day when MIAX PEARL Equities closes early). Orders entered between 7:30 a.m. and 9:30 a.m. Eastern Time are not eligible for execution until the start of Regular Trading Hours. The Exchange will not accept the following orders prior to 9:30 a.m. Eastern Time: orders designated as Post Only with a time-in-force of RHO, ISOs, [and]all orders with a time-in-force of IOC<u>, and orders that include a Minimum Execution Quantity instruction</u>.

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Rule 2614.   Orders and Order Instructions

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(a)   **General Order Types**.

(1) **Limit Order**. An order to buy or sell a stated amount of a security at a specified price or better. A "marketable" Limit Order to buy (sell) will trade with all orders to sell (buy) priced at or below (above) the PBO (PBB) for the security. Once no longer marketable, the Limit Order will be ranked on the MIAX PEARL Equities Book pursuant to Exchange Rule 2616. An incoming Limit Order may be designated as ISO.

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(C) A Limit Order may be entered as an odd lot, round lot, or mixed lot. <u>A non-displayed Limit Order may include a Minimum Execution Quantity instruction.</u>

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(2) **Market Order**. An order to buy (sell) a stated amount of a security that is to be executed at the PBO (PBB) or better. A Market Order shall not trade through a Protected Quotation.

(A) A Market Order may be entered as an odd lot, round lot, or mixed lot. <u>A Market Order may include a Minimum Execution Quantity instruction.</u>

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(3) **Midpoint Peg Order**. A non-displayed Limit Order that is assigned a working price pegged to the midpoint of the PBBO. A Midpoint Peg Order receives a new timestamp each time its working price changes in response to changes to the midpoint of the PBBO.

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(E) A Midpoint Peg Order may be entered as an odd lot, round lot, or mixed lot. A Midpoint Peg Order may include a Minimum Execution Quantity instruction.

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(c)   **Order Instructions.**

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(7) **Minimum Execution Quantity**. An instruction a User may attach to a non-displayed order requiring the System to execute the order only to the extent that a minimum quantity can be satisfied.

(A) **Upon Entry**. Upon entry, an order with the Minimum Execution Quantity instruction will execute against individual orders resting on the MIAX PEARL Equities Book that each satisfy the order's minimum quantity condition. If there are orders that satisfy the minimum quantity condition, but there are also orders that do not satisfy the minimum quantity condition, the order with the Minimum Execution Quantity instruction will execute against orders resting on the MIAX PEARL Equities Book in accordance with Rule 2616, Priority of Orders, until it reaches an order that does not satisfy the minimum quantity condition, and then the remainder of the order will be posted to the MIAX PEARL Equities Book or cancelled in accordance with the terms of the order.

(i) A User may alternatively specify that the incoming order's minimum quantity condition need not be satisfied by each individual resting order and that the order's minimum quantity condition be satisfied by one or multiple orders resting on the MIAX PEARL Equities Book that in the aggregate satisfy the order's minimum quantity condition.

(B) **When Resting**. Where there is insufficient size to satisfy an incoming order's minimum quantity condition, that incoming order with a Minimum Execution Quantity instruction with a time-in-force of RHO will not trade and will be posted on the MIAX PEARL Equities Book.

(i) When posted on the MIAX PEARL Equities Book, the order may only execute against individual incoming orders with a size that satisfies the minimum quantity condition.

(1) An order with the Minimum Execution Quantity instruction cedes execution priority when it would lock or cross an order against which it would otherwise execute if it were not for the minimum quantity condition.

(2) If a resting non-displayed sell (buy) order did not meet the minimum quantity condition of a same-priced resting order to buy (sell) with a Minimum Execution Quantity instruction, a subsequently arriving sell (buy) order that meets the minimum quantity condition will trade ahead of such resting non-displayed sell (buy) order at that price.

(ii) Where there is insufficient size to satisfy the minimum quantity condition of an incoming order to buy (sell) and that incoming order, if posted at its limit price, would cross a displayed order to sell (buy) resting on the MIAX PEARL Equities Book, the order to buy (sell) with the Minimum Execution Quantity instruction will have a working price equal to the price of the displayed order to sell (buy).

(iii) An order to buy (sell) with a Minimum Execution Quantity instruction that is posted to the MIAX PEARL Equities Book will not be eligible to trade:

(1) at a price equal to or above (below) any sell (buy) displayed orders that have a ranked price equal to or below (above) the price of such order with a Minimum Execution Quantity instruction; or

(2) at a price above (below) any sell (buy) non-displayed order that has a ranked price below (above) the price of such order with a Minimum Execution Quantity instruction.

(iv) An order with a Minimum Execution Quantity instruction that crosses an order on the MIAX PEARL Equities Book may execute at a price less aggressive than its ranked price against an incoming order so long as such execution is consistent with the above restrictions.

(C) **Partial Executions**. Upon entry and when resting on the MIAX PEARL Equities Book, an order with a Minimum Execution Quantity instruction may be partially executed so long as the execution size of the individual order or aggregate size of multiple orders, as applicable, is equal to or exceeds the minimum quantity condition provided in the instruction.

(i) Any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the minimum quantity condition provided in the instruction.

(ii) Where the number of shares remaining are less than the minimum quantity condition provided in the instruction, the minimum quantity condition shall be equal to the number of shares remaining.

(D) **Routing**. An order that includes a Minimum Execution Quantity instruction is not eligible to be routed to an away Trading Center in accordance with Rule 2617(b).

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Rule 2615. Opening Process for Equity Securities

(a) **Order Entry and Cancellation before the Opening Process**. Prior to the beginning of Regular Trading Hours, Users who wish to participate in the Opening Process may enter orders to buy or sell that are designated as RHO. Orders cancelled before the Opening Process will not participate in the Opening Process.

(1) Only orders that include a time-in-force of RHO may participate in the Opening Process. Orders designated as Post Only, ISOs, orders with a Minimum Execution Quantity instruction, and orders that include a time-in-force other than RHO are not eligible to participate in the Opening Process.

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(e) **Re-Opening After a Halt**. While an equity security is subject to a halt, other than a halt initiated pursuant to Rule 2622(b)(2) following a Level 3 Market Decline, 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.

(1) The Re-Opening Process will occur in the same manner described in paragraphs (a) through (c) above, with the following exceptions:

(A) ISOs, orders that include a time-in-force of IOC, orders that include a Minimum Execution Quantity instruction, and orders designated as Post Only will be cancelled or rejected, as applicable;

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