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

File No. * SR 2025 - * 50
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) *
✓	☐	☐	✓	☐	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

☐ 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 *).

Proposal to amend Exchange Rules 2614 and 2617 to allow the Post Only order instruction to be applied to orders in securities priced below $1.00 per share.

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 * Michael
Last Name * Slade
Title * AVP, Associate Counsel
E-mail * mslade@miaxglobal.com
Telephone * (609) 955-0460
Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, MIAX PEARL, LLC
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 12/10/2025

By Michael Slade
(Name *)

(Title *)
AVP, Associate Counsel

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

Michael Slade Date: 2025.12.10 16:39:52 -05'00'

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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SR-PEARL-2025-50 - Exhibit 1.doc

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 Advanced 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 being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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SR-PEARL-2025-50 - Exhibit 5 FINAL

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

Partial Amendment

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

1. <u>Text of the Proposed Rule Change</u>

(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" or "Exchange Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to amend subparagraph (c)(2) of Exchange Rule 2614, Orders and Order Instructions, to allow the Post Only order instruction to be applied to orders in securities priced below $1.00 on its equity trading platform (referred to herein as "MIAX Pearl Equities").[3] The Exchange also proposes to adopt Exchange Rule 2614(c)(2)(i)(A) to reprice non-displayed orders in securities priced below $1.00 to the locking price to help reduce the occurrence of an internally crossed book. Additionally, the Exchange proposes to make a related change to subparagraph (a)(4)(iv) of Exchange Rule 2617, Order Execution and Routing, to also apply to orders in securities priced below $1.00 with a Post Only order instruction to help alleviate an internally locked or crossed book in the rare event they do occur. These proposed changes are designed to allow the Exchange to better compete with other exchanges with like functionality for order flow in securities trading below $1.00 while also seeking to attract more liquidity in securities that trade below $1.00 onto an exchange, where those orders may benefit from price discovery and improved market transparency.

A notice of the proposed rule change for publication in the <u>Federal</u> <u>Register</u> is attached hereto as <u>Exhibit</u> <u>1</u>, and the text of the proposed rule change is attached hereto as <u>Exhibit</u> <u>5</u>.

(b) Not applicable.

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

2 17 CFR 240.19b-4.

3 All references to the "Exchange" in this filing refer to MIAX Pearl Equities. Any references to the options trading facility of MIAX PEARL, LLC will specifically be referred to as "MIAX Pearl Options."

(c) Not applicable.

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

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX Pearl Board of Directors on February 27, 2025. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action is necessary by the Exchange for the filing of the proposed rule change.

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

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

a. Purpose

Currently, with the exception of the Post Only instruction (described below), all order types and order instructions are available to orders in all securities regardless of price. Only the Post Only instruction is currently limited to securities priced at or above $1.00. The Exchange proposes to remove this exception and amend subparagraph (c)(2) of Exchange Rule 2614, Orders and Order Instructions, to allow the Post Only order instruction to be applied to orders in securities priced below $1.00 on MIAX Pearl Equities. As explained below, this portion of the proposal is currently available on other equities exchanges. This proposal is, therefore, designed to increase competition among exchanges for order flow in securities priced below $1.00 and to make all order types and order instructions available equally to orders in all securities regardless of the order's price.

This proposal is not intended to encourage an increase in the overall volume or order flow in sub-dollar securities. Trading in sub-dollar securities both on- and off-exchange has grown significantly since the Exchange adopted Exchange Rule 2614(c)(2) and launched operations in September 2020. For example, average daily sub-dollar trading volume comprised approximately 9% of the overall daily volume in September 2025. In fact, the Exchange found that overall volume in sub-dollar securities has been slowly decreasing since June 2025 from approximately 14% to 9% in September 2025. Meanwhile, off-exchange market share in sub-dollar securities remained high averaging over 60%.[4]

There are numerous other factors that contribute to sub-dollar trading volumes, the majority of which occurs off-exchange.[5] The Exchange believes this proposal will increase exchange competition by allowing the Exchange to provide functionality that would allow it to attract a greater slice of the current volume in sub-dollar securities by encouraging market participants to send their sub-dollar trading volume to an exchange-level pool of liquidity, rather than the opaque off-exchange trading venues (i.e., dark pools), which are less transparent. In addition, various Equity Members[6] have recently requested the Exchange modify its functionality to allow the Post Only instruction to be available for orders in securities priced below $1.00.

The Exchange notes that differences exist between the market structures for securities

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4 See MEMX LLC's December 2024 Exchange Highlights, dated January 10, 2025, available at https://memx.com/exchange-highlights-key-trading-trends-that-defined-another-banner-year-in-the-markets/.

5 The increase in sub-dollar trading volume has not been due to any new or novel exchange order types, but rather increased retail participation, especially since the Covid-19 pandemic and social media-fueled hype; rise of off-exchange trading, including dark pools; reverse stock splits; and high market volatility causing prices to fall and making them prone to trading below $1.00. See, e.g., U.S Equities Volume Drivers: Retail Trading in Subdollar Securities, dated November 24, 2024, available at https://www.cboe.com/insights/posts/u-s-equities-volume-drivers-retail-trading-in-subdollar-securities/; and Off Exchange Trading Increases Across all Types of Stocks, dated February 13, 2025, available at https://www.nasdaq.com/articles/exchange-trading-increases-across-all-types-stocks#:~:text=The%20rise%20is%20largely%20driven,ATS%20trades%20printed%20off%2Dexchange.

6 The term "Equity Member" is a Member authorized by the Exchange to transact business on MIAX Pearl Equities. See Exchange Rule 1901.

priced at or above $1.00 and those below $1.00 that impact how the Post Only order instruction may function. This includes different fee levels and minimum price increments which allow for both an internally locked or crossed market to be caused by an order with a Post Only instruction priced below $1.00. Meanwhile, these different fee levels and minimum price increments allow for only an internally locked market to be caused by an order with a Post Only instruction priced at or above $1.00.

The Exchange reviewed its data and found that internally locked and crossed markets are rare events and should continue to be rare under this proposal. Based on the Exchange's data for securities priced at or above $1.00, an internally non-displayed locked or crossed market caused by an order that includes a Minimum Execution Quantity ("MEQ") instruction (described below) or an internally non-displayed locked market caused by an order with a Post Only instruction (also described below) is extremely rare.[7] For securities priced at or above $1.00, the Exchange reviewed a sampling of data that included high volume securities with increased usage of the Post Only and MEQ instructions on active trading days. The selected securities also experienced an increased usage of the MEQ and/or Post Only instructions. Based on this sampling, the Exchange experienced an internally locked book for the selected securities priced at or above $1.00 in approximately 1.00% of all order book updates and an internally crossed book in approximately 0.10% of all order book updates.

The Exchange conducted a similar review for securities priced below $1.00 but focused on a sampling of data that included high volume sub-dollar securities on active trading days that experienced an increased usage of the MEQ instruction. Unlike the above review of securities

[7] The Exchange notes that it reviewed these two order instructions because they are the only instructions available on the Exchange that may cause an internally non-displayed locked or crossed book.

priced at or above $1.00, the Exchange could not review securities priced below $1.00 with a Post Only instruction because the Exchange does not currently offer such functionality and proposes to do so herein. Based on this review, the Exchange found that an internally non-displayed locked or crossed book in sub-dollar securities caused by an order that includes an MEQ instruction did not occur during a sampling of active trading days in any of the high volume sub-dollar securities the Exchange observed.[8] Based on the Exchange's expertise and experience, the differing uses of the Post Only instruction and MEQ instruction, as well as other external factors, the Exchange does not anticipate that expanding the Post Only instruction to sub-dollar securities would cause a disproportionate increase in the use of the Post Only instruction as compared to the MEQ instruction with orders in securities priced below $1.00 that could result in anything other than, at most, a potential de minimis increase of internally non-displayed locked or crossed markets on the Exchange. Based on the Exchange's observations and experience, in the rare event they do occur, an internally non-displayed locked or crossed book is typically alleviated almost immediately or within an extremely short period of time of their initial occurrence.

Nonetheless, the Exchange has mechanisms to both avoid an internally crossed market and to alleviate an internally locked or crossed market, in the rare event they occur. First, the Exchange proposes to adopt Exchange Rule 2614(c)(2)(i)(A) to reprice non-displayed orders in securities priced below $1.00 to the locking price of the displayed order resting on the MIAX Pearl Equities Book to help reduce the occurrence of an internally crossed book.[9] Proposed

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8 The Exchange will not file a proposed fee change with the Commission to amend its fee structure for securities priced below $1.00 to levels that may cause more than a de minimis increase in the occurrence of an internally non-displayed locked or crossed market on the Exchange.

9 The Exchange notes that this functionality would also apply to orders in securities priced at or above $1.00 in the unlikely event that an incoming order in a security priced at or above $1.00 with a Post Only

Exchange Rule 2614(c)(2)(i)(A) is based on Exchange Rule 2617(a)(4)(iv), which describes similar re-pricing of orders with an MEQ instruction that cross a contra-side displayed order.

In addition, should an internally locked or crossed market occur, the Exchange has a current mechanism under Exchange Rule 2617(a)(4)(iv) to alleviate those occurrences while honoring intra-market price priority. Specifically, Exchange Rule 2617(a)(4)(iv) provides that, for securities priced equal to or greater than $1.00, in the case where a non-displayed order to sell (buy) is posted on the MIAX Pearl Equities Book at a price that locks or crosses a displayed order to buy (sell), an Aggressing Order[10] or an incoming order to buy (sell) that is a Market Order[11] or a Limit Order[12] priced more aggressively than the order to buy (sell) displayed on the MIAX Pearl Equities Book will execute against the non-displayed order to sell (buy) resting on the MIAX Pearl Equities Book at one-half minimum price variation greater (less) than the price of the resting displayed order to buy (sell).

The Exchange proposes to expand this mechanism under Exchange Rule 2617(a)(4)(iv) to securities priced below $1.00, which would allow for consistent treatment of all securities during an internally locked or crossed market, regardless of price. Expanding the re-pricing mechanism described in Exchange Rule 2617(a)(4)(iv) would allow the Exchange to treat orders

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instruction would post to the MIAX Pearl Equities Book and result in an internally non-displayed crossed market.

10 The term "Aggressing Order" is an order to buy (sell) that is or becomes marketable against sell (buy) interest on the MIAX Pearl Equities Book. A resting order may become an Aggressing Order if its working price changes, if the PBBO or NBBO is updated, because of changes to other orders on the MIAX Pearl Equities Book, or when processing inbound messages. See Exchange Rule 1901.

11 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. See Exchange Rule 2614(a)(2).

12 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. See Exchange Rule 2614(a)(1).

in securities priced below $1.00 in the same manner as orders in securities priced at or above $1.00. This change would also ensure that intra-market price priority continues to be honored by treating all orders with a Post Only instruction in a similar manner regardless of price. Therefore, this portion of the proposal would facilitate transactions in securities as well as remove impediments to and perfect the mechanism of a free and open market and a national market system in accordance with the Act. This functionality has also been considered by the Commission numerous times and does not raise any new or novel issues.[13]

Each of these changes proposed herein are described in more detail below.

Expanding Post Only Instruction to Sub-Dollar Securities

Exchange Rule 2614(c)(2) describes the Post Only order instruction and provides that an order designated as Post Only is a non-routable order that is ranked and executed on the MIAX Pearl Equities Book pursuant to Exchange Rule 2616 and Exchange Rule 2617(a)(4). Exchange Rule 2614(c)(2) further provides that an order designated as Post Only will only remove liquidity from the MIAX Pearl Equities Book when: (A) *the order is for a security priced below $1.00*;[14] or (B) the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX Pearl Equities Book and subsequently

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13 See Securities Exchange Act Release Nos. 89563 (August 14, 2020), 85 FR 51510 (August 20, 2020) (SR-PEARL-2020-03) (Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, to Establish Rules Governing the Trading of Equity Securities); 88806 (May 4, 2020), 85 FR 27451 (May 8, 2020) (File No. 10-237) (In the Matter of the Application of MEMX LLC for Registration as a National Securities Exchange; Findings, Opinion, and Order of the Commission); 102650 (March 13, 2025), 90 FR 12590 (March 18, 2025) (File No. 10-247) (In the Matter of the Application of MX2 LLC for Registration as a National Securities Exchange; Findings, Opinion, and Order of the Commission). See also LTSE Rule 11.230(a)(4)(D); Cboe BZX Rule 11.13(a)(4)(D); Cboe EDGX Rule 11.10(a)(4)(D).

14 The Exchange notes that an order in a security priced below $1.00 that includes the Post Only instruction will not remove liquidity when there is no marketable contra-side liquidity resting on the MIAX Pearl Equities Book, either due to the limit price of the resting and incoming orders or there being no contra-side liquidity available.

provided liquidity including the applicable fees charged or rebates paid.[15] An order designated as Post Only is subject to the price sliding processes set forth in Exchange Rule 2614(g), unless otherwise instructed by the User[16] (i.e., the User elects that the order be cancelled rather than subject to a price sliding process). The Post Only instruction is available for Limit Orders[17] and Pegged Orders only.[18]

The Exchange now proposes to provide the Post Only instruction to orders in securities priced below $1.00. To effectuate this change, the Exchange proposes to delete subparagraph (2)(i)(A) of Exchange Rule 2614(c) that limits the availability of the Post Only instruction to securities priced at or above $1.00. As a result, Exchange Rule 2614(c)(2) would provide that an order designated as Post Only will only remove liquidity from the MIAX Pearl Equities Book when the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX Pearl Equities Book and subsequently provided liquidity including the applicable fees charged or rebates paid.[19] The Exchange

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15 To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX Pearl Equities Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange. The Exchange provides for a maker/taker fee structure. For displayed orders in securities priced at or above $1.00, the highest possible fee is currently $0.00300 for removing liquidity and the highest possible rebate is currently ($0.0037) for providing liquidity, requiring at least $0.0067 of price improvement. See MIAX Pearl Equities Fee Schedule, Section 1)a). For non-displayed orders in securities priced at or above $1.00, the highest possible fee is currently $0.00300 for removing liquidity and the highest possible rebate is currently ($0.00200) for providing liquidity, requiring at least $0.005 of price improvement. Id.

16 The term “User” shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Exchange Rule 2602. See Exchange Rule 1901.

17 See Exchange Rule 2614(a)(1)(iv).

18 See Exchange Rule 2614(a)(3)(v).

19 See supra note 15. The Exchange provides for a maker/taker fee structure. For both displayed and non-displayed orders in securities priced below $1.00, the highest possible fee is currently 0.20% of the trade’s dollar value for removing liquidity and the highest possible rebate is currently (0.15%) of the trade’s dollar value for providing liquidity, requiring at least 0.35% of the trade’s value as price improvement. See MIAX Pearl Equities Fee Schedule, Section 1)a).

believes this proposal is reasonable because it is competitive in nature, designed to attract additional liquidity and quoting on the Exchange, and provides Equity Members with consistent order handling of all their orders, regardless of price.

In sum, the Post Only instruction provides Equity Members with the ability to increase the likelihood that their order will add liquidity to the order book and will not remove liquidity unless certain price improvement requirements are satisfied. This effectively guarantees that the order will only trade at a price better than its limit price when removing liquidity, while potentially receiving rebates for adding liquidity to the market. This is designed to incentivize market participants to post aggressively priced liquidity and improve price discovery. By adding orders to the order book, orders with a Post Only instruction contribute to improved liquidity, market depth and, if displayed, price transparency.

The Exchange believes this proposed rule change to expand Post Only functionality to orders in sub-dollar securities would provide an additional exchange-level pool of liquidity for market participants that utilize Post Only functionality for sub-dollar securities. As such, the proposed rule change may encourage market participants to send additional sub-dollar trading volume to an exchange, rather than off-exchange marketplaces (i.e., dark pools), which provide less transparent pricing. In general, the Post Only instruction allows for an order to be posted to the MIAX Pearl Equities Book at its limit price and, therefore, serves to improve on-exchange liquidity, which benefits all market participants by providing more trading opportunities. Orders with a Post Only instruction entered onto an exchange may also serve to improve price transparency if the entering firm elected such order to be displayed and made available via an exchange's data feeds and disseminated by the applicable Securities Information Processor ("SIP"). This proposal serves to benefit market participants by expanding existing functionality available to orders in securities priced at or above $1.00 to orders in securities priced below $1.00, with no functional difference.

The Exchange initially adopted its Post Only order instruction behavior as part of its broader proposal to adopt rules governing trading of equity securities, in which it sought to operate its equity market in a manner similar to that of other equity exchanges that it based its rules and functionality upon several years ago. This included adopting functionality that limited the functionality of the Post Only instruction to orders in securities priced at or above $1.00. The Exchange did not adopt this limitation due to fear of some potential nefarious activity in sub-dollar securities trading, but rather due to lack of interest by market participants in such functionality at the time MIAX Pearl Equities was being developed and had filed its initial rule set with the Commission for approval.

Applying Post Only treatment to sub-dollar securities is also not unique. Today, a number of other equities exchanges allow securities priced below $1.00 to be treated as "post only." For example, The Nasdaq Stock Market LLC ("Nasdaq") provides a Post Only Order, which offers market participants the ability to submit an order that is not eligible for routing to away markets and posts to the Nasdaq book at prices below $1.00.[20] Specifically, Nasdaq's Post Only Order acts like the Exchange's Post Only order instruction in securities priced at or above $1.00 and provides, in sum, that a "Post-Only Order will be posted, ranked, and displayed at its limit price; provided, however, the Post-Only Order will execute if it is priced at $1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book equals or exceeds $0.01 per share."[21] Nasdaq applies the same behavior to Post-Only

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20 See Nasdaq Equity 4, Rule 4702(b)(4) ("Post-Only Order").

21 Id. See also supra note 15 for a description of the Exchange's price improvement requirements for orders priced at or above $1.00 with a Post Only instruction.

Orders in securities priced below $1.00 and provides that the Post-Only Order would execute if "the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity".[22] This is identical to the functionality that the Exchange proposes herein and is also available on Nasdaq's affiliate exchanges that trade equity securities.[23] The New York Stock Exchange LLC ("NYSE") and its affiliate exchanges also provide similar "post only" functionality in the form of Add Liquidity Only ("ALO") orders, which is also available to securities priced below $1.00.[24] This proposal would expand the population of exchanges that offer "post only" treatment for securities priced below $1.00 and would not only allow the Exchange to compete with exchanges that currently offer such functionality to sub-dollar securities, but also enable the Exchange to provide an additional exchange-level pool of liquidity where market participants may send such orders.

Expanding Existing Functionality to Avoid or Alleviate Internally Locked or Crossed Markets to Securities Priced Below $1.00 with a Post Only Instruction

As mentioned above, differences exist between the market structures for securities priced at or above $1.00 and those below $1.00, such as differing fee levels and minimum price increments. Due to these differences, orders in securities priced at or above $1.00 that contain a Post Only instruction do not result in an internally crossed market because the minimum tick increments allows the order to receive the required amount of price improvement to execute

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22 Nasdaq provides for Minimum Quantity Orders, which, like a Post Only instruction, may result in an internally non-displayed locked or crossed market, as discussed herein. See Nasdaq Equity 4, Rule 4703(e) ("Minimum Quantity Order").

23 See Nasdaq BX, Inc. Equity 4, Rule 4702(b)(4)(A) ("Post-Only Order"). See also Nasdaq PHLX, Inc. Equity 4, Rule 3301A(b)(4)(A) ("Post-Only Order").

24 See, e.g., NYSE Rule 7.31(e)(2).

against a contra-side order. On the contrary, the minimum price increments and different fee levels for securities priced below $1.00 would not always ensure that an order with a Post Only instruction would receive the necessary price improvement to execute. As a result, unlike an order in a security priced at or above $1.00, an order in a security priced below $1.00 with a Post Only instruction may post at a price that results in an internally crossed market. According to the data discussed above, the Exchange does not expect a material increase in internally locked and crossed markets due to this proposal. However, should they occur, the Exchange has mechanisms in place today to avoid or alleviate an internally locked and crossed market that it proposes to expand to locked or crossed markets that may result from an order priced below $1.00 with a Post Only instruction.

First, the Exchange proposes to adopt Exchange Rule 2614(c)(2)(i)(A) to reprice non-displayed orders in securities priced below $1.00 to the locking price of the displayed order to help reduce the occurrence of an internally crossed book.[25] As mentioned above, proposed Exchange Rule 2614(c)(2)(i)(A) is based on Exchange Rule 2617(a)(4)(iv), which describes similar re-pricing of orders with an MEQ instruction that cross a contra-side displayed order.

Second, the Exchange proposes to make a related change to Exchange Rule 2617(a)(4)(iv) to treat securities priced below $1.00 in the same manner as it currently treats securities priced at or above $1.00 during an internally locked or crossed market. Expanding Exchange Rule 2617(a)(4)(iv) as proposed herein would allow the Exchange to treat orders in securities priced below $1.00 with a Post Only order instruction the same as orders in securities priced at or above $1.00 by allowing an execution at one-half minimum price variation greater

[25] The Exchange notes that this functionality would also apply to orders in securities priced at or above $1.00 in the unlikely event that an incoming order in a security priced at or above $1.00 with a Post Only instruction would post to the MIAX Pearl Equities Book and result in an internally non-displayed crossed market.

(less) than the price of the resting displayed order to buy (sell) as set forth in the Rule.

Both of these proposals are an expansion of existing functionality and Exchange Rules, and, therefore, do not raise any new or novel issues. Each of these changes are described separately below.

Re-Pricing Non-Displayed Orders to the Locking Price to Decrease the Occurrence of an Internally Crossed Market

As discussed above, if this proposal is approved, an order designated as Post Only in a security priced below $1.00 may post to the MIAX Pearl Equities Book at a price that results in an internally crossed market.[26] However, the Exchange will never post a displayed or non-displayed order to the MIAX Pearl Equities Book at a price that would cross a contra-side displayed order.

In keeping with this principle, the Exchange proposes to reprice non-displayed orders in securities priced below $1.00 in a similar scenario to help reduce the occurrence of an internally crossed book.[27] As proposed, Exchange Rule 2614(c)(2)(i)(A) would describe how a resting displayed order and an incoming non-displayed order designated as Post Only would be re-priced. Specifically, Exchange Rule 2614(c)(2)(i)(A) would provide that a non-displayed order designated as Post Only to buy (sell) that does not remove liquidity pursuant to Exchange Rule 2614(c)(2)(i), and that incoming non-displayed order, if posted at its limit price, would cross a

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26 One byproduct of the Post Only order instruction is that it may result in the order for a security priced at or above $1.00 posting to the MIAX Pearl Equities Book at a price that results in an internally locked market on the Exchange. The Exchange notes that due to its fee structure, an incoming order in a security priced at or above $1.00 designated as Post Only that crosses a contra-side order resting on the MIAX Pearl Equities Book will execute upon entry because it would receive the necessary amount of price improvement in accordance with Exchange Rule 2614(c)(2). Therefore, such orders will not post to the MIAX Pearl Equities Book and cause an internally crossed market in securities priced at or above $1.00.

27 The Exchange notes that this functionality would also apply to orders in securities priced at or above $1.00 in the unlikely event that an incoming order in a security priced at or above $1.00 with a Post Only instruction would post to the MIAX Pearl Equities Book and result in an internally non-displayed crossed market.

displayed order to sell (buy) resting on the MIAX Pearl Equities Book, the non-displayed order will have a working price equal to the price of the displayed order to sell (buy). Proposed Exchange Rule 2614(c)(2)(i)(A) would also describe how a resting non-displayed order that would be crossed by an incoming displayed order with a Post Only instruction would be re-priced to have a working price equal to the locking price of the incoming displayed order. Specifically, proposed Exchange Rule 2614(c)(2)(i)(A) would provide that where a displayed order designated as Post Only to buy (sell) does not remove liquidity pursuant to Exchange Rule 2614(c)(2)(i), and that displayed order, if posted at its limit price, would cross a non-displayed order to sell (buy) resting on the MIAX Pearl Equities Book, the non-displayed order will have a working price equal to the price of the displayed order to sell (buy).

The Exchange notes that this portion of the proposal is consistent with how it currently re-prices orders with an MEQ instruction in the same circumstances. Specifically, for orders with an MEQ instruction, Exchange Rule 2614(c)(7)(B)(ii) provides 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 MEQ instruction will have a working price equal to the price of the displayed order to sell (buy). The Exchange proposes to apply the same behavior to other non-displayed orders as described herein.

Not only is proposed Exchange Rule 2614(c)(2)(i)(A) similar to how the Exchange re-prices orders with an MEQ instruction under Exchange Rule 2614(c)(7)(B)(ii), it is also similar to how the Exchange currently reprices non-displayed orders that cross the Protected Quotation of an external market.[28] Both IEX and Nasdaq re-price non-displayed orders to avoid an

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

internally crossed market. In certain circumstances, Nasdaq re-prices non-displayed orders to buy (sell) to one minimum price increment below (above) the lowest (highest) price of resting orders to avoid an internally crossed market.[29] Likewise, IEX re-prices non-displayed orders that include a limit price more aggressive than the midpoint of the NBBO to the midpoint of the NBBO to prevent such orders from being posted at a price that crossed their midpoint of the NBBO.[30]

The Exchange believes that this portion of the proposal is consistent with the Act because it enables the Exchange to avoid an internally crossed book. Proposed Exchange Rule 2614(c)(2)(i)(A) is also not new or novel as it is based on existing functionality in place on the Exchange and other equity exchanges to avoid internally crossed markets. The Exchange also believes re-pricing a non-displayed order as proposed herein is not unfairly discriminatory because it seeks to avoid an abnormal market condition, i.e., an internally crossed book, in favor of an order with Post Only instruction that could represent more aggressively priced liquidity and price improvement opportunities for other contra-side orders. Like the Exchange provides today for orders with an MEQ instruction, Equity Members would be immediately notified if their order is re-priced as proposed herein and may re-enter such order with a new price if they choose to do so.

The following examples illustrate this proposed functionality.

Example No. 1.

A non-displayed order with a Post Only instruction to buy at $0.8009 ("Order 1") is

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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).

entered and there is a displayed order resting on the MIAX Pearl Equities Book to sell at $0.8008 ("Order 2"). Order 1 does not remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement. The price of Order 1, if posted to the MIAX Pearl Equities Book, would cross the price of Order 2. In such case, to avoid an internally crossed book, the System will re-price Order 1 to $0.8008, the locking price of the displayed order resting on the MIAX Pearl Equities Book.

Example No. 2.

A non-displayed order to buy at $0.8009 is resting on the MIAX Pearl Equities Book ("Order 1"). A displayed order with a Post Only instruction to sell at $0.8008 is entered ("Order 2"). Order 2 does not remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement. The price of Order 2, if posted to the MIAX Pearl Equities Book, would cross the price of Order 1. In such case, to avoid an internally crossed book, the System will re-price Order 1 to $0.8008, the locking price of the incoming displayed order.

Example No. 3.

The following example describes when an incoming non-displayed order with a Post Only instruction is re-priced to the locking price pursuant to proposed Exchange Rule 2614(c)(2)(i)(A). Assume the PBBO is $0.50 by $0.53. A non-displayed Limit Order to buy at $0.5003 is entered and placed on the MIAX Pearl Equities Book ("Order 1"). Then, a non-displayed Limit Order to sell with a Post Only instruction at $0.5001 ("Order 2") is entered. Order 2 cannot execute against Order 1 and remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement.[31] Therefore, Order 2 will be re-priced and posted to the MIAX Pearl Equities Book and be non-displayed at $0.5003, the price of the displayed contra-side order, Order 1, pursuant to proposed Exchange Rule 2614(c)(2)(1)(A) discussed above, resulting in an internally non-displayed locked book. Then, a displayed Limit Order to buy at $0.5004 ("Order 3") is entered and executes against Order 2 at $0.50035, providing one-half minimum price increment of price improvement as compared to the price the order was posted at of $0.5003. However, if Order 3 was an order to sell at $0.5003, it would execute against Order 1 at $0.5003, Order 1's displayed price. If Order 3 was an order to sell at $0.5004, it would not execute because there is no marketable contra-side interest, and would be posted to the MIAX Pearl Equities Book at $0.5004.

Expanding Current Internally Locked or Crossed Book Order Handling to Alleviate an Internally Locked or Crossed Market to Securities Priced Below $1.00

By way of background, Exchange Rules 2617(a)(4)(i) and (ii) describe the process for matching incoming and Aggressing Orders for execution against contra-side orders resting on the MIAX Pearl Equities Book.[32] An Aggressing Order and an incoming order to buy (sell) will be automatically executed to the extent that it is priced at an amount that equals or exceeds (is less than) any order to sell (buy) on the MIAX Pearl Equities Book and is executable. Such order to buy (sell) will be matched for execution against sell (buy) orders resting on the MIAX Pearl Equities Book according to the price-time priority ranking of the resting orders.

Exchange Rule 2617(a)(4)(iii) provides that certain orders, based on their operation and

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31 See supra note 15. Price improvement of $0.0004 does not exceed the required 0.35% of the trade's value for there to be an execution pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2).

32 Exchange Rules 2617(a)(4)(i)-(ii) are based on NYSE Rule 7.37(a), Cboe BZX and Cboe BYX Rules 11.13(a)(4)(A)-(B), and Cboe EDGA and Cboe EDGX Rules 11.10(a)(4)(A)-(B).

User instructions, are permitted to post and rest on the MIAX Pearl Equities Book at prices that lock or cross contra-side liquidity, provided, however, that the System[33] will never display a locked or crossed market.[34] Exchange Rule 2617(a)(4)(iii) further provides that if an Aggressing Order or an incoming order to buy (sell) would execute upon entry against an order to sell (buy) at the same or worse price as a displayed order to buy (sell), the Aggressing Order or incoming order to buy (sell) would be cancelled or posted to the MIAX Pearl Equities Book and ranked in accordance with Exchange Rule 2616.

Again, one byproduct of the Post Only order instruction, and the MEQ instruction discussed above, is that they may result in the order posting to the MIAX Pearl Equities Book at a price that results in an internally locked or crossed market on the Exchange where one or both of the locking or crossing orders are non-displayed.[35] In the context of an order with a Post Only instruction, this may happen where an order does not remove all contra-side marketable resting liquidity pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) and is, therefore, posted to the MIAX Pearl Equities Book.

As discussed above, based on the Exchange's expertise, experience and data set forth

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33 The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

34 Exchange Rule 2617(a)(4)(iii) is based on Cboe BZX and Cboe BYX Rules 11.13(a)(4)(C), and Cboe EDGA and Cboe EDGX Rules 11.10(a)(4)(C).

35 The Exchange notes that its rules and the Act prohibit the Exchange from displaying a locked or crossed market and an order that would create a displayed locked or crossed market on the Exchange would be rejected, if incoming, or cancelled, if resting. See, e.g., Exchange Rules 2617(a)(4) (providing that "[a]n order will be cancelled back to the User if, based on market conditions, User instructions, applicable Exchange Rules and/or the Act and the rules and regulations thereunder, such order is not executable, cannot be routed to another Trading Center pursuant to paragraph (b) of this Exchange Rule 2617 below and cannot be posted to the MIAX Pearl Equities Book"); 2617(a)(4)(iii) (stating that "that the System will never display a locked or crossed market"); and 2624(b) (stating that "the System shall not make available for dissemination, and Users shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation, and any Manual Quotations that lock or cross a quotation previously disseminated pursuant to an Effective National Market System Plan"). See also Rules 610 and 611 of Regulation NMS.

above, the Exchange does not anticipate that expanding the Post Only instruction to sub-dollar securities would cause anything other a potential de minimis increase, if any, of internally non-displayed locked or crossed markets on the Exchange. Based on the Exchange's observations and experience, in the rare event that an internally non-displayed locked or crossed book on Exchange does occur, such instances are typically alleviated almost immediately or within extremely short period of time of their initial occurrence.

In the rare occurrence an internally non-displayed locked or crossed market does occur, the Exchange has method to resolve such instances in a manner that honors intra-market price priority. This mechanism is set forth under Exchange Rule 2617(a)(4)(iv), which governs the price at which a non-displayed order is executable when there is a contra-side displayed order at a price that results in an internally locked or crossed book. Today, for securities priced equal to or greater than $1.00 per share, in the case where a non-displayed order to sell (buy) is posted on the MIAX Pearl Equities Book at a price that locks a displayed order to buy (sell) pursuant to Exchange Rule 2617(a)(4)(iii) described above, an Aggressing Order or an incoming order to buy (sell) described in Exchange Rules 2617(a)(4)(i) and (ii) that is a Market Order or a Limit Order priced more aggressively than the order to buy (sell) displayed on the MIAX Pearl Equities Book, that Aggressing Order or incoming order will execute against the non-displayed order to sell (buy) resting on the MIAX Pearl Equities Book at one-half minimum price variation[36] greater (less) than the price of the resting displayed order to buy (sell).[37] The

36 See Exchange Rule 2612, Minimum Price Variations. Exchange Rule 2612(a) provides that bids, offers, orders or indications of interests in securities traded on the Exchange shall not be made in an increment smaller than: (1) $0.01 if those bids, offers or indications of interests are priced equal to or greater than $1.00 per share; or (2) $0.0001 if those bids, offers or indications of interests are priced less than $1.00 per share.

37 This functionality is well established and has been previously approved by the Commission. See Securities Exchange Act Release No. 89563 (August 14, 2020), 85 FR 51510 (August 20, 2020) (SR-PEARL-2020-

Exchange proposes to amend Exchange Rule 2617(a)(4)(iv) to remove the phrase "for securities priced equal to or greater than $1.00 per share" and, therefore, provide the same behavior for bids or offers in securities priced below $1.00 per share as the Exchange does today for securities priced at or above $1.00 when executing orders during times when the Exchange is experiencing a non-displayed internally locked or crossed book.

Exchange Rule 2616 sets forth the priority among orders resting on the MIAX Pearl Equities Book and there is no priority relationship between an incoming order and a same side resting order up to and until each order is resting on the MIAX Pearl Equities Book.[38] It is also well established that in the case of both an incoming order or between resting orders (as in the case when one order is an Aggressing Order) that, to comply with intra-market price priority, a resting order to buy (sell) 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 resting buy (sell) order; or (2) at a price above (below) any sell (buy) non-displayed order that has a ranked price below (above) the price of such resting buy (sell) order.[39] This behavior also allows the Exchange to manage an internally locked book while continuing to honor each order's instructions while working to alleviate this infrequent, but abnormal market occurrence, and maintain a fair and orderly market.

In keeping with the above principles, the Exchange would apply the same standards to securities priced below $1.00 as it does today for securities priced at or above $1.00 under

03) (adopting rules for MIAX Pearl Equities, including Exchange Rule 2617(a)(4)). See also, e.g., Cboe EDGA and Cboe EDGX Rules 11.10(a)(4) and Cboe BYX and Cboe BZX Rules 11.13(a)(4).

38 See generally Exchange Rules 2616 and 2617(a)(4).

39 See, e.g., Exchange Rule 2614(c)(7)(ii)(C), NYSE Rule 7.31(i)(3)(C), and Cboe EDGX Rule 11.6(h) for a description of intra-market price priority in the context of a non-displayed locked or crossed market created by minimum execution quantity order types).

Exchange Rule 2617(a)(4)(iv). In doing so, the Exchange would honor intra-market price priority by preventing an incoming or Aggressing Order from executing at the same price as a same-side displayed order on the MIAX Pearl Equities Book.

This portion of the proposal is an expansion of existing rules and functionality available to securities priced at or above $1.00, and therefore, does not raise any new or novel issues not already considered by the Commission.[40]

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The following examples illustrate: (i) how the Exchange currently handles securities priced at or above $1.00 pursuant to Exchange Rule 2617(a)(4)(iv); and (ii) how the Exchange would handle securities priced below $1.00 pursuant to expanded Exchange Rule 2617(a)(4)(iv), as proposed to be amended herein. For each example, assume there are no orders resting on the MIAX Pearl Equities book.

Securities Priced at or Above $1.00 (Current Behavior)

The following examples illustrate how the Exchange handles securities priced at or above $1.00 pursuant to Exchange Rule 2617(a)(4)(iv) for both incoming orders as well as when the Exchange reevaluates the MIAX Pearl Equities Book due to an external event, such as a change to the Limit Up-Limit Down ("LULD") Price Bands and an Aggressing Order executes against contra-side interest.

Incoming Order

Assume the PBBO was $16.10 by $16.11 resulting in a midpoint of $16.105. An order to buy at $16.11 is resting non-displayed on the MIAX Pearl Equities Book ("Order 1"). A displayed Limit Order to sell at $16.11 designated as Post Only is subsequently entered ("Order

40 See supra note 13.

2"). Assume that Order 2 will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2), and will post to the MIAX Pearl Equities Book and be displayed at $16.11. The display of Order 2 will, in turn, make the resting Order 1 not executable at $16.11. An incoming order to sell at $16.10 is then entered ("Order 3"). Order 3 will execute against Order 1 at $16.105 per share upon entry, thus providing a half-penny of price improvement as compared to the Order 1's limit price of $16.11.[41]

The following example describes where the execution occurs at a sub-penny price that is not at the midpoint of the PBBO. Assume the PBBO is $16.08 by $16.10 resulting in a midpoint of $16.09. An order to sell at $16.08 is resting non-displayed on the MIAX Pearl Equities Book ("Order 1"). A displayed Limit Order to buy at $16.08 designated as Post Only is subsequently entered ("Order 2"). Assume that Order 2 will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2), and will post to the MIAX Pearl Equities Book and be displayed at $16.08. The display of Order 2 will, in turn, make Order 1 not executable at $16.08. An incoming order to buy at $16.09 is entered ("Order 3"). Order 1 will execute against Order 3 at $16.085 per share, thus providing a half-penny of price improvement as compared to the Order 1's limit price of $16.08.

Re-Evaluation of MIAX Pearl Equities Book Due to External Event

Assume the PBBO is $50.00 by $53.00, and the LULD Price Bands disseminated by the

41 The Exchange notes that internally locked or crossed markets may occur on Nasdaq due to orders with a minimum quantity requirement or where one side of the market is non-displayed. In the scenario set forth in the above example, as well as similar scenario set forth in the below examples, the Exchange understands that during an internally locked or crossed market Nasdaq would execute Orders 1 and 3 at the locking price of $16.11. The Exchange believes it is preferential to execute these orders at a price other than the locking price because doing so honors the first principle of intra-market price priority, namely that a resting order to buy (sell) will not be eligible to trade: (i) 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 resting buy (sell) order, as discussed above.

applicable SIP are $49.00 by $50.00. A non-displayed Limit Order to sell at $50.07 is entered and placed on the MIAX Pearl Equities Book ("Order 1"). Then, a displayed Limit Order to buy at $50.07 with a Post Only instruction is entered ("Order 2"). Order 2 cannot execute against Order 1 and remove liquidity upon entry because of the LULD Price Bands, which result in Order 2 being posted to the MIAX Pearl Equities Book and re-priced to $50.00, the upper LULD Price Band pursuant to Exchange Rule 2622(h)(2)(A)5.b. The Exchange BBO is now $50.00 by $50.07. Then, a displayed Limit Order to buy at $50.08 is entered and is also re-priced to $50.00, the upper LULD Price Band pursuant to Exchange Rule 2622(h)(2)(A)5.b ("Order 3"). The LULD Price Bands disseminated by the applicable SIP are then updated to $48.00 by $51.00, causing the Exchange to evaluate its book for potential executions. First, Order 2 is re-priced to $50.07, resulting in an internally non-displayed locked book. Order 2, the Aggressing Order, cannot execute against Order 1 and remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2). Order 3 is then evaluated and executes against Order 1 at $50.075, providing one-half minimum price increment of price improvement as compared to the order's limit price of $50.07.

Securities Priced Below $1.00 (Proposed)

As stated above, the Exchange proposes to treat all securities the same pursuant to Exchange Rule 2617(a)(4)(iv) regardless of price. The following example illustrates this behavior and describes how the Exchange would handle securities priced below $1.00 in the same manner as securities priced at or above $1.00 pursuant to amended Exchange Rule 2617(a)(4)(iv) for both incoming orders as well as how an Aggressing Order would behave when the Exchange reevaluates the MIAX Pearl Equities Book due to an external event, such as a change to the Limit Up-Limit Down Price Bands.

Incoming Order

The following examples illustrates how the Exchange handles securities priced below $1.00 pursuant to Exchange Rule 2617(a)(4)(iv).

Example No. 1

Assume the PBBO is $0.500 by $0.502 resulting in a midpoint of $0.501. A Midpoint Peg Order to sell at $0.501 is resting non-displayed on the MIAX Pearl Equities Book at $0.501, which is also the midpoint of the PBBO ("Order 1"). A displayed Limit Order to buy 50 shares at $0.501 designated as Post Only is subsequently entered ("Order 2"). Order 2 is an odd lot size and does not result in an update to the PBBO. Order 2 will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement, and will post to the MIAX Pearl Equities Book and be displayed at $0.501. The display of this order will, in turn, result in an internally locked book and make Order 1 not executable at $0.501. If an incoming order to buy is entered into the MIAX Pearl Equities Book at a price of $0.5011 ("Order 3"), Order 1, originally priced at $0.501, will execute against Order 3 at $0.50105 per share, thus providing one-half minimum price increment of price improvement as compared to the order's pegged price (i.e. midpoint of PBBO), which also equaled its limit price, of $0.501.

Example No. 2

The following example is a variation of the above example. Assume the PBBO is $0.50 by $0.53. A non-displayed Limit Order to sell at $0.5003 is entered and placed on the MIAX Pearl Equities Book ("Order 1"). Then, a displayed Limit Order to buy with a Post Only instruction at $0.5007 ("Order 2") is entered. Order 2 cannot execute against Order 1 and remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement.[42] Therefore, Order 2 will post to the MIAX Pearl Equities Book and be displayed at $0.5007. As a result, Order 1 will be re-priced to $0.5007, the price of the displayed contra-side order, Order 2, pursuant to proposed Exchange Rule 2614(c)(2)(1)(A) discussed above, resulting in an internally non-displayed locked book. Then, a displayed Limit Order to buy at $0.5008 is entered and executes against Order 1 at $0.50075, providing one-half minimum price increment of price improvement as compared to the order's limit price of $0.5007. However, if Order 3 was an order to sell, it would execute against Order 2 at $0.5007, Order 2's displayed price.

Example No. 3

The following example describes when the execution occurs at a sub-penny price that is not at the midpoint of the PBBO. Assume the PBBO is $0.5000 by $0.5030 resulting in a midpoint of $0.5015. An order to sell at $0.5020 is resting non-displayed on the MIAX Pearl Equities Book. A displayed Limit Order to buy at $0.5020 designated as Post Only is subsequently entered. Assume that the displayed order to buy designated as Post Only will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2), and will post to the MIAX Pearl Equities Book and be displayed at $0.5020. The display of this order will, in turn, result in an internally non-displayed locked book and make the resting non-displayed order to sell not executable at $0.5020. If an incoming order to buy is entered into the MIAX Pearl Equities Book at a price equal to or greater than $0.5021, the resting non-displayed order to sell originally priced at $0.5020 will execute against the incoming order to buy at $0.50205 per share, thus providing one-half minimum price

[42] See supra note 15. Price improvement of $0.0004 does not exceed the required 0.35% of the trade's value for there to be an execution pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2).

increment of price improvement as compared to the order's limit price of $0.5020.

Example No. 4

The following example describes when the execution occurs when the Exchange is experiencing an internally crossed market due to two contra-side non-displayed orders. Assume the PBBO is $0.5000 by $0.5030 resulting in a midpoint of $0.5015. An order to buy at $0.5003 is resting non-displayed on the MIAX Pearl Equities Book ("Order 1"). A non-displayed Limit Order to sell at $0.5000 designated as Post Only is subsequently entered ("Order 2"). Assume Order 2 will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2), and will post to the MIAX Pearl Equities Book non-displayed at $0.5000. This will, in turn, result in an internally non-displayed crossed book of $0.5003 by $0.5000. An incoming order to sell is entered into the MIAX Pearl Equities Book at a price equal to or less than $0.5000 will execute against Order 1 at $0.5003.

Re-Evaluation of MIAX Pearl Equities Book Due to External Event

Assume the PBBO is $0.50 by $0.53, and the LULD Price Bands disseminated by the applicable SIP are $0.49 by $0.50. A non-displayed Limit Order to sell at $0.5003 is entered and placed on the MIAX Pearl Equities Book ("Order 1"). Then, a displayed Limit Order to buy with a Post Only instruction to buy at $0.5007 ("Order 2"). Order 2 cannot execute against Order 1 due to the LULD Price Bands which cause Order 2 to be posted to the MIAX Pearl Equities Book and re-priced to $0.50, the upper LULD Price Band pursuant to Exchange Rule 2622(h)(2)(A)5.b. The Exchange BBO is now $0.50 by $0.5003. Then, a displayed Limit Order to buy at $0.5008 is entered and is also re-priced to $0.50, the upper LULD Price Band pursuant to Exchange Rule 2622(h)(2)(A)5.b ("Order 3"). The LULD Price Bands disseminated by the applicable SIP are then updated to $0.48 by $0.51, causing the Exchange to evaluate its book for potential executions. First, Order 2 is re-priced to $0.5007 and cannot execute against Order 1 and remove liquidity pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2). As a result, Order 1 will be re-priced to $0.5007, the price of the displayed contra-side order, Order 2 pursuant to proposed Exchange Rule 2614(c)(2)(1)(A) discussed above, resulting in an internally non-displayed locked book. Order 2, the Aggressing Order, cannot execute against Order 1 and remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2). Order 3 executes against Order 1 at $0.50075, providing one-half minimum price variation of price improvement as compared to the order's limit price of $0.5007.

Implementation

Should the Commission approve this proposal, the Exchange will issue a trading alert publicly announcing the implementation date of the proposed amendments.

b. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,[43] in general, and furthers the objectives of Section 6(b)(5),[44] in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

Expanding Post Only Instruction to Sub-Dollar Securities

43 15 U.S.C. 78f(b).

44 15 U.S.C. 78f(b)(5).

In sum, the Exchange believes the proposed amendments to Exchange Rule 2614(c)(2) to extend the Post Only instruction to securities priced below $1.00 will remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide for similar treatment to all orders in all securities regardless of price. This portion of the proposal also promotes just and equitable principles of trade because it will allow Equity Members to utilize the Post Only instruction on an order for a security at any price, rather than being limited to securities priced at or above $1.00. The Post Only instruction is an important tool in U.S. equities markets because it allows Equity Members to post aggressively priced liquidity, and provides certainty as to the fee or rebate that will be applied by the Exchange if their order is executed. Without such ability, the Exchange believes that certain Equity Members would simply post less aggressively priced liquidity, and prices available for market participants, including retail investors, may be adversely impacted. Orders with a Post Only instruction contribute to improved liquidity, market depth and, if displayed, price transparency. Expanding Post Only functionality to orders in sub-dollar securities would provide an additional exchange-level pool of liquidity for market participants that utilize Post Only functionality for sub-dollar securities. As such, the proposed rule change may encourage market participants to send additional sub-dollar trading volume to the Exchange, rather than the off-exchange marketplace, and, therefore, serve to improve on-exchange liquidity and price transparency in sub-dollar securities. Orders with a Post Only instruction entered on the Exchange could improve price transparency if the entering firm elected such order to be displayed and made available via an Exchange's data feeds and disseminated by the applicable SIP. Allowing an order in a security priced below $1.00 to contain a Post Only instruction would also deepen the Exchange's pool of available liquidity in sub-dollar securities, which is a growing area of trading, particularly for retail investors. A deeper and more liquid market supports the quality of price discovery, promotes market transparency, and improves market quality for all investors.

As noted above, the Exchange adopted its current Post Only behavior as part of its broader proposal to adopt rules governing trading of equity securities, in which it sought to operate its equity market in a manner similar to that of other equity exchanges that it based its rules and functionality upon several years ago. This included adopting functionality that limited the availability of the Post Only instruction to orders in securities priced at or above $1.00. Again, and importantly, the Exchange did not adopt this limitation due to fear of some potential nefarious activity in sub-dollar securities trading, but rather due to lack of interest by market participants in such functionality at the time MIAX Pearl Equities was being developed and filing its initial rule set with the Commission for approval.

This portion of the proposal also does not raise any new or novel issues as identical functionality is available on other equities exchanges. As discussed above, Nasdaq and their affiliated markets provide Post Only Orders to all securities regardless of price, which are posted, ranked, and displayed or posted non-displayed, as applicable, at their limit price upon entry. However, Nasdaq permits a Post-Only Order to execute upon entry if "the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity".[45] This is analogous to the Exchange's current behavior for orders with a Post Only instruction in securities priced at or above $1.00 as well as the Exchange's proposed changes described herein for securities priced below $1.00. The NYSE

45 See Nasdaq Equity 4, Rule 4702(b)(4).

and its affiliate exchanges also provide similar "post only" functionality in the form of ALO orders, which is also available to securities priced below $1.00.[46] This portion of the Exchange's proposal would remove impediments to and perfect the mechanism of a free and open national market system because it seeks to expand the population of exchanges that offer "post only" treatment for securities priced below $1.00 by allowing the Exchange to provide an additional exchange-level pool of liquidity where market participants may send such orders.

This proposal is designed to facilitate transactions in securities by increasing competition among exchanges for the currently available order flow in securities priced below $1.00 by ensuring that all order types and order instructions are available equally to all securities regardless of the order's price. As explained above, providing "post only" treatment in securities priced below $1.00 should not increase the overall volume or order flow in sub-dollar securities but could encourage more aggressively priced liquidity, improve liquidity, market depth and, if displayed, price transparency in such securities. The Exchange believes this proposal will facilitate transactions in sub-dollar securities by increasing exchange competition by allowing the Exchange to provide functionality that would allow it to attract a greater slice of the current volume in sub-dollar securities, while also encouraging market participants to send their sub-dollar trading volume to an exchange-level pool of liquidity, rather than opaque off-exchange trading venues (i.e., dark pools), which are less transparent. Therefore, the Exchange believes this proposal will enhance exchange competition, facilitate transactions in sub-dollar securities, and not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

This proposal is not intended to encourage an increase in the overall volume or order

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46 See, e.g., NYSE Rule 7.31(e)(2).

flow in sub-dollar securities. Trading in sub-dollar securities both on- and off-exchange has grown significantly since the Exchange adopted Exchange Rule 2614(c)(2) and launched operations in September 2020. For example, average daily sub-dollar trading volume comprised approximately 9% of the overall daily volume in September 2025. In fact, the Exchange found that overall volume in sub-dollar securities has been slowly decreasing since June 2025 from approximately 14% to 9% in September 2025. Meanwhile, off-exchange market share in sub-dollar securities remained high averaging over 60%.[47]

As mentioned above, there are numerous factors that have contributed to the increase in sub-dollar trading volumes and approval of this proposal, alone, would not further encourage or contribute to an increase in sub-dollar trading volumes. Rather, the Exchange believes this proposal will remove impediments to a free and open market by increasing inter-market competition. The proposed changes will allow the Exchange to provide functionality to attract a greater slice of the current volume in sub-dollar securities by encouraging market participants to send their sub-dollar trading volume to another exchange-level pool of liquidity, rather than the opaque off-exchange trading venues (i.e., dark pools), which are less transparent. In addition, Equity Members recently requested the Exchange modify its Post Only instruction as proposed. The Exchange, therefore, believes this portion of the proposal is consistent with the Act.

In addition, amended Exchange Rule 2614(c)(2) is not unfairly discriminatory, but rather promotes equal treatment of all Equity Members, as it will permit the Post Only instruction to be used by all Equity Members that submit orders for securities at any price and the order instruction will no longer be limited to securities priced at or above $1.00.

Expanding Existing Functionality to Avoid or Alleviate Internally Locked or Crossed

[47] See MEMX LLC's December 2024 Exchange Highlights, dated January 10, 2024, available at https://memx.com/exchange-highlights-key-trading-trends-that-defined-another-banner-year-in-the-markets/.

Markets to Securities Priced Below $1.00 with a Post Only Instruction

As discussed above, differences exist between the market structures for securities priced at or above $1.00 and those below $1.00 that impact how the Post Only order instruction may function. This includes different fee levels and minimum price increments which could allow an order with a Post Only instruction to only result in an internally locked market in securities priced at or above $1.00 and both an internally locked or crossed market in securities priced below $1.00. Also, as discussed above, the Exchange reviewed its own data and found that internally locked and crossed markets are rare events and should continue to be rare under this proposal. Based on the Exchange's expertise and experience, the Exchange anticipates that expanding the Post Only instruction to sub-dollar securities would cause at most, a potential de minimis, if any, increase of internally non-displayed locked or crossed markets on the Exchange. Also, based on the Exchange's observations and experience, in the rare event such instances do occur, an internally non-displayed locked or crossed book is typically alleviated almost immediately or within extremely short period of time of their initial occurrence.

Nonetheless, in the rare event they do occur, the Exchange has well established mechanisms to both avoid an internally locked or crossed market and to alleviate an internally locked or crossed market. This includes expanding current re-pricing functionality by adopting Exchange Rule 2614(c)(2)(i)(A) to reprice non-displayed orders in securities priced below $1.00 to the locking price of the displayed order resting on the MIAX Pearl Equities Book to help reduce the occurrence of an internally crossed book.[48] In addition, should an internally locked or crossed market occur, the Exchange has a current mechanism under Exchange Rule

48 The Exchange notes that this functionality would also apply to orders in securities priced at or above $1.00 in the unlikely event that an incoming order in a security priced at or above $1.00 with a Post Only instruction would post to the MIAX Pearl Equities Book and result in an internally non-displayed crossed market.

2617(a)(4)(iv) to alleviate those occurrences while honoring intra-market price priority. Expanding this mechanism under Exchange Rule 2617(a)(4)(iv) to securities priced below $1.00 would allow for the Exchange to alleviate an internally locked or crossed book and would provide for the consistent treatment of all securities during an internally locked or crossed market, regardless of price.

Re-Pricing Non-Displayed Orders to the Locking Price to Decrease the Occurrence of an Internally Crossed Market

The Exchange believes proposed Exchange Rule 2614(c)(2)(i)(A) to re-price non-displayed orders to the locking price, including those with a Post Only instruction that would cross a contra-side displayed order promotes just and equitable principles of trade because it would serve to decrease the occurrence of the Exchange experiencing an abnormal market condition in the form of a non-displayed internally crossed book. The Exchange will never post a displayed or non-displayed order to the MIAX Pearl Equities Book at a price that would cross a contra-side displayed order.

In addition, proposed Exchange Rule 2614(c)(2)(i)(A) is analogous to how the Exchange currently reprices orders with an MEQ instruction pursuant to Exchange Rule 2614(c)(7)(B)(ii).[49] The Exchange believes utilizing this re-pricing mechanism for sub-dollar securities with a Post Only instruction promotes just and equitable principles of trade because this functionality would be consistent with how the Exchange currently reprices orders with a MEQ instruction, which has previously been considered by the Commission.[50] This proposal

49 Exchange Rule 2614(c)(7)(B)(ii) provides 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 MEQ instruction will have a working price equal to the price of the displayed order to sell (buy).

50 This functionality is not unique and is 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)

simply seeks to expand such functionality without raising new discrimination concerns among orders below and above (or at) $1.00. Re-pricing non-displayed orders with a Post Only instruction to the locking price of the displayed order, as proposed, is appropriate and necessary to avoid an internally crossed market. Doing so in favor of the displayed order allows the displayed order to continue to contribute to price discovery at that price level while the non-displayed order does not provide like pre-trade price transparency. The Exchange's rules would be clear as to when a non-displayed order may be re-priced to the locking price when there is contra-side displayed interest resting on the MIAX Pearl Equities Book and, thus, avoid an internally crossed market. Market participants who do not want their orders to be re-priced may enter the non-displayed order with a limit price that would prevent the order from being re-priced to an undesirable price level or those market participants may immediately cancel such order if they choose to do so. Equity Members are also free to choose which trading venues to route orders to and those that seek to avoid this functionality are free to route their non-displayed orders to another exchange.

This is also analogous to the Exchange's current Non-Displayed Price Sliding Process set forth under Exchange Rule 2614(g)(2) where the Exchange would also reprice a non-displayed order to the locking price. Pursuant to Exchange Rule 2614(g)(2), to avoid potentially trading through Protected Quotations of an away Trading Center, a non-displayed, non-routable order to buy (sell) that, upon entry or due to a change in the PBO (PBB), would cross the PBO (PBB) of an away Trading Center will be assigned a working price by the System equal to the PBO (PBB).

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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 a non-displayed order, like it currently does for an order with a Minimum Execution Quantity 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).

Both IEX and Nasdaq re-price non-displayed orders to avoid an internally crossed market. In certain circumstances, Nasdaq re-prices non-displayed orders to buy (sell) to one minimum price increment below (above) the lowest (highest) price of resting orders to avoid an internally crossed market.[51] Likewise, IEX re-prices non-displayed orders that include a limit price more aggressive than the midpoint of the NBBO to the midpoint of the NBBO to prevent such orders from being posted at a price that crossed their midpoint of the NBBO.[52] The Exchange, therefore, believes that this portion of the proposal is consistent with the Act because it enables the Exchange to avoid an internally crossed book and is based on existing functionality in place on the Exchange and other equity exchanges to avoid internally crossed markets. The Exchange also believes re-pricing a non-displayed order as proposed herein promotes just and equitable principles of trade because it seeks to avoid an abnormal market condition, i.e., an internally crossed book, in favor of an order with the Post Only instruction that could represent more aggressively priced liquidity and price improvement opportunities for other contra-side orders. Like the Exchange provides today for orders with an MEQ instruction, Equity Members would be immediately notified if their order is re-priced as proposed herein and may re-enter such order with a new price if they choose to do so. The Exchange, therefore, believes the proposed changes do not raise any new or novel issues not already considered by the Commission.

The Exchange believes it is appropriate and not unfairly discriminatory to reprice the non-displayed order as proposed above, and consistent with how it currently reprices orders with

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51 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.

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

a MEQ instruction, which has previously been considered by the Commission.[53] This proposal simply seeks to expand such functionality without raising new discrimination concerns. Re-pricing non-displayed orders with a Post Only instruction to the locking price of the displayed order, as proposed, is appropriate and necessary to avoid an internally crossed market. Doing so in favor of the displayed order allows the displayed order to continue to contribute to price discovery at that price level while the non-displayed order does not provide like pre-trade price transparency. The Exchange's rules would be clear as to when a non-displayed order may be re-priced to the locking price when there is contra-side displayed interest resting on the MIAX Pearl Equities Book and, thus, avoid an internally crossed market. Market participants who do not want their orders to be re-priced may enter the non-displayed order with a limit price that would prevent the order from being re-priced to an undesirable price level or those market participants may immediately cancel such order if they choose to do so. Equity Members are also free to choose which trading venues to route orders to and those that seek to avoid this functionality are free to route their non-displayed orders to another exchange.

Expanding Current Internally Locked or Crossed Book Order Handling to Alleviate an Internally Locked or Crossed Market to Securities Priced Below $1.00

The occurrence of a non-displayed internally locked or crossed market on the Exchange is an extremely rare occurrence, and the Exchange does not anticipate that this proposal would cause anything more than a potential de minimis increase, if any. Should they occur, the Exchange has an effective mechanism in place today for securities priced at or above $1.00 that

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53 This functionality is not unique and is 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 a non-displayed order, like it currently does for an order with a Minimum Execution Quantity 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).

it simply seeks to expand to securities priced below $1.00 to alleviate an internally locked or crossed book. Specifically, expanding Exchange Rule 2617(a)(4)(iv) to securities priced below $1.00 would facilitate transactions in securities during the extremely rare occurrence of a non-displayed internally locked or crossed market where a resting contra-side displayed order would otherwise prohibit such order from execution against an incoming or Aggressing Order by allowing an execution at one-half minimum price variation greater (less) than the price of the resting displayed order to buy (sell), as set forth in the Rule. In doing so, the proposal would also provide that all orders, regardless of price, are executable at the applicable one-half minimum price increment during a non-displayed internally locked or crossed market, while also ensuring that the Exchange continues to honor the intra-market price priority of all orders in such circumstances.

As discussed above, the principle of intra-market price priority provides that, in the case of both an incoming order or between resting orders that a resting order to buy (sell) 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 resting buy (sell) order; or (2) at a price above (below) any sell (buy) non-displayed order that has a ranked price below (above) the price of such resting buy (sell) order.[54] The Exchange proposes to apply the same intra-market price priority standards to securities priced below $1.00 as it does today for securities priced at or above $1.00 under Exchange Rule 2617(a)(4)(iv). Doing so would ensure the Exchange continues to honor intra-market price priority in securities priced below $1.00 by preventing an incoming or resting order from executing at the same or better price as a displayed order or same

[54] See, e.g., Exchange Rule 2614(c)(7)(ii)(C), NYSE Rule 7.31(i)(3)(C), and Cboe EDGX Rule 11.6(h) for a description of intra-market price priority in the context of a non-displayed locked or crossed market created by minimum execution quantity order types).

price as a non-displayed order resting on the MIAX Pearl Equities Book. In doing so, the Exchange would not violate intra-market price priority for sub-dollar securities when trading out of an internally locked or crossed market.

This portion of the proposal would allow the Exchange to treat orders in securities below $1.00 in a similar manner as securities priced at or above $1.00, thereby providing market participants with consistent handing of all orders regardless of price. This order handling is necessary in order to address specific conditions that are present on the MIAX Pearl Equities Book when an order containing a Post Only instruction is displayed opposite the ranked price of a non-displayed order resulting in an internally locked or crossed book. The proposal would also facilitate transactions in securities by making orders eligible for execution where a resting contra-side displayed order would otherwise prohibit such order from execution against an incoming or Aggressing Order.

In sum, this would allow all orders to be treated in a similar manner, regardless of price by providing, under limited circumstances, a resting order priced below $1.00 that would otherwise be non-executable due to the presence of a displayed order, including a displayed order containing a Post Only instruction. Pursuant to Exchange Rule 2617(a)(4)(iv) an order that is currently unable to execute at the locking price due to the presence of a contra-side displayed order would be eligible to execute against an incoming order priced more aggressively than the contra-side displayed order at one-half minimum price increment above (below) the locking price.

For the reasons set forth above, the Exchange believes amended Exchange Rule 2617(a)(4)(iv) is consistent with the Act because it would allow the Exchange to facilitate transactions in securities, honor intra-market price priority, and alleviate an internally non-displayed locked or crossed book that may occur due to expanding the availability of the Post Only instruction to securities priced below $1.00. The current one-half minimum price increment functionality for securities priced at or above $1.00 under Exchange Rule 2617(a)(4)(iv) has in fact been approved repeatedly by the Commission in the past and that identical functionality should be expanded to cover securities priced below $1.00.[55] The Exchange simply seeks to expand this functionality to securities priced below $1.00, therefore, believes its proposal is consistent with Section 6(b)(5) of the Act.

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.

Intra-Market Competition

The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes to Exchange Rule 2614(c)(2) will apply equally to all Equity Members and all Equity Members will be eligible to utilize the Post Only instruction for securities priced below $1.00, just as they do today for securities priced at or above $1.00.

Similarly, the proposed change to Exchange Rule 2617(a)(4)(iv) applies similarly to all

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55 See, e.g., Securities Exchange Act Release Nos. 88806 (May 4, 2020), 85 FR 27451 (May 8, 2020) (File No. 10-237) (Approving MEMX LLC's exchange application which included MEMX Rule 11.10(a)(4)); 73468 (October 29, 2014), 79 FR 65450 (November 4, 2014) SR-EDGX-2014-18 (Notice of Filing of Amendment Nos. 1 and 3 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 3, To Amend EDGX Rule 1.5 and Chapter XI Regarding Current System Functionality Including the Operation of Order Types and Order Instructions, which included Cboe EDGX Rule 11.10(a)(4)) (SR-EDGX-2014-18); and 73592 (November 13, 2014), 79 FR 68937 (November 19, 2014) (SR-EDGA-2014-20) ("Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Amend EDGA Rule 1.5 and Chapter XI Regarding Current System Functionality Including the Operation of Order Types and Order Instructions, which included Cboe EDGA Rule 11.10(a)(4)). See also, e.g., Cboe EDGA Rule 11.10(a)(4). See also Cboe BYX and Cboe BZX Rules 11.13(a)(4).

Equity Members because the proposed order handling behavior changes abide by the principles of intra-market price priority and will treat all securities in a similar fashion, regardless of price. Each proposed change is designed to expand an existing Exchange order instruction and existing order handling behavior to securities priced below $1.00, with no change, due to the growth in sub-dollar trading volumes that the Exchange has experienced since in launched operations in September 2020.

Proposed Exchange Rule 2614(c)(2)(i)(A) to re-price to the locking price of non-displayed orders, including those with a Post Only instruction, that would cross a contra-side displayed order is similar to how the Exchange currently reprices orders with a MEQ instruction pursuant to Exchange Rule 2614(c)(7)(B)(ii). This portion of the proposal simply seeks to provide consistent treatment of similarly situated orders and should not impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Overall, the Exchange believes its proposal will not impose any burden on intra-market competition because the proposed functionality would be available to all Equity Members who may choose to utilize the proposed change based on their own business decisions and trading behaviors.

Inter-Market Competition

The Exchange similarly does not believe that the proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. In fact, the Exchange notes other national equities exchanges already offer identical "post only" treatment of orders priced below $1.00.[56] There are numerous other factors

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[56] See supra notes 22, 23, and 24.

that contribute to sub-dollar trading volumes, the majority of which occurs off-exchange.[57] This proposal would expand the population of exchanges that offer "post only" treatment for securities priced below $1.00 and would not only allow the Exchange to compete with exchanges that currently offer such functionality to sub-dollar securities, but also enable the Exchange to provide an additional exchange-level pool of liquidity where market participants may send such orders. The Exchange believes this proposal will increase exchange competition by allowing the Exchange to provide functionality that would allow it to attract a greater slice of the current volume in sub-dollar securities by encouraging market participants to send their sub-dollar trading volume to an exchange-level pool of liquidity, rather than the opaque off-exchange trading venues (i.e., dark pools), which are less transparent. The Exchange believes its proposal to expand the use of the Post Only instruction to securities priced below $1.00 will promote competition between the Exchange and other exchanges for volume in sub-dollar securities.

The Exchange similarly believes that its proposal to amend Exchange Rule 2617(a)(4)(iv) does not impose a burden on inter-market competition as the change is not designed to address any competitive issue, but rather to address order handling behavior in a similar manner to how the Exchange treats orders priced at or above $1.00 while continuing to abide by the above stated principles of intra-market price priority.

Proposed Exchange Rule 2614(c)(2)(i)(A) to re-price to the locking price of a non-displayed orders, including those with a Post Only instruction, that would cross a contra-side is

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57 The increase in sub-dollar trading volume has not been due to any new or novel exchange order types, but rather increased retail participation, especially since the Covid-19 pandemic and social media fueled hype; rise of off-exchange trading, including dark pools; reverse stock splits; and high market volatility causing prices to fall and making them prone to trading below $1.00. See, e.g., U.S Equities Volume Drivers: Retail Trading in Subdollar Securities, dated November 24, 2024, available at https://www.cboe.com/insights/posts/u-s-equities-volume-drivers-retail-trading-in-subdollar-securities/; and Off Exchange Trading Increases Across all Types of Stocks, dated February 13, 2025, available at https://www.nasdaq.com/articles/exchange-trading-increases-across-all-types-stocks#:~:text=The%20rise%20is%20largely%20driven,ATS%20trades%20printed%20off%2Dexchange.

similar to how the Exchange currently reprices orders with a Minimum Execution Quantity instruction pursuant to Exchange Rule 2614(c)(7)(B)(ii). This portion of the proposal simply seeks to provide consistent treatment of similarly situated orders and should not impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

Not applicable.

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

The proposed change is not based on the rules of another Self-Regulatory Organization or the Commission.

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.

11. Exhibits

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

5. Text of proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-PEARL-2025-50)

December ____, 2025

Self-Regulatory Organizations: Notice of Filing of a Proposed Rule Change by MIAX PEARL, LLC to Amend Exchange Rule 2614, Orders and Order Instructions and Exchange Rule 2617, Order Execution and Routing

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 December ____, 2025, 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 proposes to amend subparagraph (c)(2) of Exchange Rule 2614, Orders and Order Instructions, to allow the Post Only order instruction to be applied to orders in securities priced below $1.00 on its equity trading platform (referred to herein as "MIAX Pearl Equities").[3] The Exchange also proposes to adopt Exchange Rule 2614(c)(2)(i)(A) to reprice non-displayed orders in securities priced below $1.00 to the locking price to help reduce the occurrence of an internally crossed book. Additionally, the Exchange proposes to make a related change to subparagraph (a)(4)(iv) of Exchange Rule 2617, Order Execution and Routing, to also apply to orders in securities priced below $1.00 with a Post Only order instruction to help

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

2 17 CFR 240.19b-4.

3 All references to the "Exchange" in this filing refer to MIAX Pearl Equities. Any references to the options trading facility of MIAX PEARL, LLC will specifically be referred to as "MIAX Pearl Options."

alleviate an internally locked or crossed book in the rare event they do occur. These proposed changes are designed to allow the Exchange to better compete with other exchanges with like functionality for order flow in securities trading below $1.00 while also seeking to attract more liquidity in securities that trade below $1.00 onto an exchange, where those orders may benefit from price discovery and improved market transparency.

The text of the proposed rule change is available on the Exchange's website at https://www.miaxglobal.com/markets/us-equities/pearl-equities/rule-filings, at MIAX Pearl's principal office.

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

In its filing with the Commission, MIAX Pearl included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. MIAX Pearl 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

Currently, with the exception of the Post Only instruction (described below), all order types and order instructions are available to orders in all securities regardless of price. Only the Post Only instruction is currently limited to securities priced at or above $1.00. The Exchange proposes to remove this exception and amend subparagraph (c)(2) of Exchange Rule 2614, Orders and Order Instructions, to allow the Post Only order instruction to be applied to orders in securities priced below $1.00 on MIAX Pearl Equities. As explained below, this portion of the proposal is currently available on other equities exchanges. This proposal is, therefore, designed to increase competition among exchanges for order flow in securities priced below $1.00 and to make all order types and order instructions available equally to orders in all securities regardless of the order's price.

This proposal is not intended to encourage an increase in the overall volume or order flow in sub-dollar securities. Trading in sub-dollar securities both on- and off-exchange has grown significantly since the Exchange adopted Exchange Rule 2614(c)(2) and launched operations in September 2020. For example, average daily sub-dollar trading volume comprised approximately 9% of the overall daily volume in September 2025. In fact, the Exchange found that overall volume in sub-dollar securities has been slowly decreasing since June 2025 from approximately 14% to 9% in September 2025. Meanwhile, off-exchange market share in sub-dollar securities remained high averaging over 60%.[4]

There are numerous other factors that contribute to sub-dollar trading volumes, the majority of which occurs off-exchange.[5] The Exchange believes this proposal will increase exchange competition by allowing the Exchange to provide functionality that would allow it to attract a greater slice of the current volume in sub-dollar securities by encouraging market participants to send their sub-dollar trading volume to an exchange-level pool of liquidity, rather than the opaque off-exchange trading venues (i.e., dark pools), which are less transparent. In

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4 See MEMX LLC's December 2024 Exchange Highlights, dated January 10, 2025, available at https://memx.com/exchange-highlights-key-trading-trends-that-defined-another-banner-year-in-the-markets/.

5 The increase in sub-dollar trading volume has not been due to any new or novel exchange order types, but rather increased retail participation, especially since the Covid-19 pandemic and social media-fueled hype; rise of off-exchange trading, including dark pools; reverse stock splits; and high market volatility causing prices to fall and making them prone to trading below $1.00. See, e.g., U.S Equities Volume Drivers: Retail Trading in Subdollar Securities, dated November 24, 2024, available at https://www.cboe.com/insights/posts/u-s-equities-volume-drivers-retail-trading-in-subdollar-securities/; and Off Exchange Trading Increases Across all Types of Stocks, dated February 13, 2025, available at https://www.nasdaq.com/articles/exchange-trading-increases-across-all-types-stocks#:~:text=The%20rise%20is%20largely%20driven,ATS%20trades%20printed%20off%2Dexchange.

addition, various Equity Members[6] have recently requested the Exchange modify its functionality to allow the Post Only instruction to be available for orders in securities priced below $1.00.

The Exchange notes that differences exist between the market structures for securities priced at or above $1.00 and those below $1.00 that impact how the Post Only order instruction may function. This includes different fee levels and minimum price increments which allow for both an internally locked or crossed market to be caused by an order with a Post Only instruction priced below $1.00. Meanwhile, these different fee levels and minimum price increments allow for only an internally locked market to be caused by an order with a Post Only instruction priced at or above $1.00.

The Exchange reviewed its data and found that internally locked and crossed markets are rare events and should continue to be rare under this proposal. Based on the Exchange's data for securities priced at or above $1.00, an internally non-displayed locked or crossed market caused by an order that includes a Minimum Execution Quantity ("MEQ") instruction (described below) or an internally non-displayed locked market caused by an order with a Post Only instruction (also described below) is extremely rare.[7] For securities priced at or above $1.00, the Exchange reviewed a sampling of data that included high volume securities with increased usage of the Post Only and MEQ instructions on active trading days. The selected securities also experienced an increased usage of the MEQ and/or Post Only instructions. Based on this sampling, the Exchange experienced an internally locked book for the selected securities priced at or above $1.00 in approximately 1.00% of all order book updates and an internally crossed book in

[6] The term "Equity Member" is a Member authorized by the Exchange to transact business on MIAX Pearl Equities. See Exchange Rule 1901.

[7] The Exchange notes that it reviewed these two order instructions because they are the only instructions available on the Exchange that may cause an internally non-displayed locked or crossed book.

approximately 0.10% of all order book updates.

The Exchange conducted a similar review for securities priced below $1.00 but focused on a sampling of data that included high volume sub-dollar securities on active trading days that experienced an increased usage of the MEQ instruction. Unlike the above review of securities priced at or above $1.00, the Exchange could not review securities priced below $1.00 with a Post Only instruction because the Exchange does not currently offer such functionality and proposes to do so herein. Based on this review, the Exchange found that an internally non-displayed locked or crossed book in sub-dollar securities caused by an order that includes an MEQ instruction did not occur during a sampling of active trading days in any of the high volume sub-dollar securities the Exchange observed.[8] Based on the Exchange's expertise and experience, the differing uses of the Post Only instruction and MEQ instruction, as well as other external factors, the Exchange does not anticipate that expanding the Post Only instruction to sub-dollar securities would cause a disproportionate increase in the use of the Post Only instruction as compared to the MEQ instruction with orders in securities priced below $1.00 that could result in anything other than, at most, a potential de minimis increase of internally non-displayed locked or crossed markets on the Exchange. Based on the Exchange's observations and experience, in the rare event they do occur, an internally non-displayed locked or crossed book is typically alleviated almost immediately or within an extremely short period of time of their initial occurrence.

Nonetheless, the Exchange has mechanisms to both avoid an internally crossed market and to alleviate an internally locked or crossed market, in the rare event they occur. First, the Exchange proposes to adopt Exchange Rule 2614(c)(2)(i)(A) to reprice non-displayed orders in

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8 The Exchange will not file a proposed fee change with the Commission to amend its fee structure for securities priced below $1.00 to levels that may cause more than a de minimis increase in the occurrence of an internally non-displayed locked or crossed market on the Exchange.

securities priced below $1.00 to the locking price of the displayed order resting on the MIAX Pearl Equities Book to help reduce the occurrence of an internally crossed book.[9] Proposed Exchange Rule 2614(c)(2)(i)(A) is based on Exchange Rule 2617(a)(4)(iv), which describes similar re-pricing of orders with an MEQ instruction that cross a contra-side displayed order.

In addition, should an internally locked or crossed market occur, the Exchange has a current mechanism under Exchange Rule 2617(a)(4)(iv) to alleviate those occurrences while honoring intra-market price priority. Specifically, Exchange Rule 2617(a)(4)(iv) provides that, for securities priced equal to or greater than $1.00, in the case where a non-displayed order to sell (buy) is posted on the MIAX Pearl Equities Book at a price that locks or crosses a displayed order to buy (sell), an Aggressing Order[10] or an incoming order to buy (sell) that is a Market Order[11] or a Limit Order[12] priced more aggressively than the order to buy (sell) displayed on the MIAX Pearl Equities Book will execute against the non-displayed order to sell (buy) resting on the MIAX Pearl Equities Book at one-half minimum price variation greater (less) than the price of the resting displayed order to buy (sell).

The Exchange proposes to expand this mechanism under Exchange Rule 2617(a)(4)(iv) to securities priced below $1.00, which would allow for consistent treatment of all securities

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9 The Exchange notes that this functionality would also apply to orders in securities priced at or above $1.00 in the unlikely event that an incoming order in a security priced at or above $1.00 with a Post Only instruction would post to the MIAX Pearl Equities Book and result in an internally non-displayed crossed market.

10 The term "Aggressing Order" is an order to buy (sell) that is or becomes marketable against sell (buy) interest on the MIAX Pearl Equities Book. A resting order may become an Aggressing Order if its working price changes, if the PBBO or NBBO is updated, because of changes to other orders on the MIAX Pearl Equities Book, or when processing inbound messages. See Exchange Rule 1901.

11 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. See Exchange Rule 2614(a)(2).

12 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. See Exchange Rule 2614(a)(1).

during an internally locked or crossed market, regardless of price. Expanding the re-pricing mechanism described in Exchange Rule 2617(a)(4)(iv) would allow the Exchange to treat orders in securities priced below $1.00 in the same manner as orders in securities priced at or above $1.00. This change would also ensure that intra-market price priority continues to be honored by treating all orders with a Post Only instruction in a similar manner regardless of price. Therefore, this portion of the proposal would facilitate transactions in securities as well as remove impediments to and perfect the mechanism of a free and open market and a national market system in accordance with the Act. This functionality has also been considered by the Commission numerous times and does not raise any new or novel issues.[13]

Each of these changes proposed herein are described in more detail below.

Expanding Post Only Instruction to Sub-Dollar Securities

Exchange Rule 2614(c)(2) describes the Post Only order instruction and provides that an order designated as Post Only is a non-routable order that is ranked and executed on the MIAX Pearl Equities Book pursuant to Exchange Rule 2616 and Exchange Rule 2617(a)(4). Exchange Rule 2614(c)(2) further provides that an order designated as Post Only will only remove liquidity from the MIAX Pearl Equities Book when: (A) *the order is for a security priced below $1.00*;[14] or (B) the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX Pearl Equities Book and subsequently

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[13] See Securities Exchange Act Release Nos. 89563 (August 14, 2020), 85 FR 51510 (August 20, 2020) (SR-PEARL-2020-03) (Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, to Establish Rules Governing the Trading of Equity Securities); 88806 (May 4, 2020), 85 FR 27451 (May 8, 2020) (File No. 10-237) (In the Matter of the Application of MEMX LLC for Registration as a National Securities Exchange; Findings, Opinion, and Order of the Commission); 102650 (March 13, 2025), 90 FR 12590 (March 18, 2025) (File No. 10-247) (In the Matter of the Application of MX2 LLC for Registration as a National Securities Exchange; Findings, Opinion, and Order of the Commission). See also LTSE Rule 11.230(a)(4)(D); Cboe BZX Rule 11.13(a)(4)(D); Cboe EDGX Rule 11.10(a)(4)(D).

[14] The Exchange notes that an order in a security priced below $1.00 that includes the Post Only instruction will not remove liquidity when there is no marketable contra-side liquidity resting on the MIAX Pearl Equities Book, either due to the limit price of the resting and incoming orders or there being no contra-side liquidity available.

provided liquidity including the applicable fees charged or rebates paid.[15] An order designated as Post Only is subject to the price sliding processes set forth in Exchange Rule 2614(g), unless otherwise instructed by the User[16] (i.e., the User elects that the order be cancelled rather than subject to a price sliding process). The Post Only instruction is available for Limit Orders[17] and Pegged Orders only.[18]

The Exchange now proposes to provide the Post Only instruction to orders in securities priced below $1.00. To effectuate this change, the Exchange proposes to delete subparagraph (2)(i)(A) of Exchange Rule 2614(c) that limits the availability of the Post Only instruction to securities priced at or above $1.00. As a result, Exchange Rule 2614(c)(2) would provide that an order designated as Post Only will only remove liquidity from the MIAX Pearl Equities Book when the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX Pearl Equities Book and subsequently provided liquidity including the applicable fees charged or rebates paid.[19] The Exchange believes this proposal is reasonable because it is competitive in nature, designed to attract additional liquidity and quoting on the Exchange, and provides Equity Members with consistent

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15 To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX Pearl Equities Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange. The Exchange provides for a maker/taker fee structure. For displayed orders in securities priced at or above $1.00, the highest possible fee is currently $0.00300 for removing liquidity and the highest possible rebate is currently ($0.0037) for providing liquidity, requiring at least $0.0067 of price improvement. See MIAX Pearl Equities Fee Schedule, Section 1)a). For non-displayed orders in securities priced at or above $1.00, the highest possible fee is currently $0.00300 for removing liquidity and the highest possible rebate is currently ($0.00200) for providing liquidity, requiring at least $0.005 of price improvement. Id.

16 The term "User" shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Exchange Rule 2602. See Exchange Rule 1901.

17 See Exchange Rule 2614(a)(1)(iv).

18 See Exchange Rule 2614(a)(3)(v).

19 See supra note 15. The Exchange provides for a maker/taker fee structure. For both displayed and non-displayed orders in securities priced below $1.00, the highest possible fee is currently 0.20% of the trade's dollar value for removing liquidity and the highest possible rebate is currently (0.15%) of the trade's dollar value for providing liquidity, requiring at least 0.35% of the trade's value as price improvement. See MIAX Pearl Equities Fee Schedule, Section 1)a).

order handling of all their orders, regardless of price.

In sum, the Post Only instruction provides Equity Members with the ability to increase the likelihood that their order will add liquidity to the order book and will not remove liquidity unless certain price improvement requirements are satisfied. This effectively guarantees that the order will only trade at a price better than its limit price when removing liquidity, while potentially receiving rebates for adding liquidity to the market. This is designed to incentivize market participants to post aggressively priced liquidity and improve price discovery. By adding orders to the order book, orders with a Post Only instruction contribute to improved liquidity, market depth and, if displayed, price transparency.

The Exchange believes this proposed rule change to expand Post Only functionality to orders in sub-dollar securities would provide an additional exchange-level pool of liquidity for market participants that utilize Post Only functionality for sub-dollar securities. As such, the proposed rule change may encourage market participants to send additional sub-dollar trading volume to an exchange, rather than off-exchange marketplaces (i.e., dark pools), which provide less transparent pricing. In general, the Post Only instruction allows for an order to be posted to the MIAX Pearl Equities Book at its limit price and, therefore, serves to improve on-exchange liquidity, which benefits all market participants by providing more trading opportunities. Orders with a Post Only instruction entered onto an exchange may also serve to improve price transparency if the entering firm elected such order to be displayed and made available via an exchange's data feeds and disseminated by the applicable Securities Information Processor ("SIP"). This proposal serves to benefit market participants by expanding existing functionality available to orders in securities priced at or above $1.00 to orders in securities priced below $1.00, with no functional difference.

The Exchange initially adopted its Post Only order instruction behavior as part of its broader proposal to adopt rules governing trading of equity securities, in which it sought to operate its equity market in a manner similar to that of other equity exchanges that it based its rules and functionality upon several years ago. This included adopting functionality that limited the functionality of the Post Only instruction to orders in securities priced at or above $1.00. The Exchange did not adopt this limitation due to fear of some potential nefarious activity in sub-dollar securities trading, but rather due to lack of interest by market participants in such functionality at the time MIAX Pearl Equities was being developed and had filed its initial rule set with the Commission for approval.

Applying Post Only treatment to sub-dollar securities is also not unique. Today, a number of other equities exchanges allow securities priced below $1.00 to be treated as "post only." For example, The Nasdaq Stock Market LLC ("Nasdaq") provides a Post Only Order, which offers market participants the ability to submit an order that is not eligible for routing to away markets and posts to the Nasdaq book at prices below $1.00.[20] Specifically, Nasdaq's Post Only Order acts like the Exchange's Post Only order instruction in securities priced at or above $1.00 and provides, in sum, that a "Post-Only Order will be posted, ranked, and displayed at its limit price; provided, however, the Post-Only Order will execute if it is priced at $1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book equals or exceeds $0.01 per share."[21] Nasdaq applies the same behavior to Post-Only Orders in securities priced below $1.00 and provides that the Post-Only Order would execute if "the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order

20 See Nasdaq Equity 4, Rule 4702(b)(4) ("Post-Only Order").

21 Id. See also supra note 15 for a description of the Exchange's price improvement requirements for orders priced at or above $1.00 with a Post Only instruction.

posted to the Nasdaq Book and subsequently provided liquidity".[22] This is identical to the functionality that the Exchange proposes herein and is also available on Nasdaq's affiliate exchanges that trade equity securities.[23] The New York Stock Exchange LLC ("NYSE") and its affiliate exchanges also provide similar "post only" functionality in the form of Add Liquidity Only ("ALO") orders, which is also available to securities priced below $1.00.[24] This proposal would expand the population of exchanges that offer "post only" treatment for securities priced below $1.00 and would not only allow the Exchange to compete with exchanges that currently offer such functionality to sub-dollar securities, but also enable the Exchange to provide an additional exchange-level pool of liquidity where market participants may send such orders.

Expanding Existing Functionality to Avoid or Alleviate Internally Locked or Crossed Markets to Securities Priced Below $1.00 with a Post Only Instruction

As mentioned above, differences exist between the market structures for securities priced at or above $1.00 and those below $1.00, such as differing fee levels and minimum price increments. Due to these differences, orders in securities priced at or above $1.00 that contain a Post Only instruction do not result in an internally crossed market because the minimum tick increments allows the order to receive the required amount of price improvement to execute against a contra-side order. On the contrary, the minimum price increments and different fee levels for securities priced below $1.00 would not always ensure that an order with a Post Only instruction would receive the necessary price improvement to execute. As a result, unlike an order in a security priced at or above $1.00, an order in a security priced below $1.00 with a Post Only instruction may post at a price that results in an internally crossed market. According to the

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22 Nasdaq provides for Minimum Quantity Orders, which, like a Post Only instruction, may result in an internally non-displayed locked or crossed market, as discussed herein. See Nasdaq Equity 4, Rule 4703(e) ("Minimum Quantity Order").

23 See Nasdaq BX, Inc. Equity 4, Rule 4702(b)(4)(A) ("Post-Only Order"). See also Nasdaq PHLX, Inc. Equity 4, Rule 3301A(b)(4)(A) ("Post-Only Order").

24 See, e.g., NYSE Rule 7.31(e)(2).

data discussed above, the Exchange does not expect a material increase in internally locked and crossed markets due to this proposal. However, should they occur, the Exchange has mechanisms in place today to avoid or alleviate an internally locked and crossed market that it proposes to expand to locked or crossed markets that may result from an order priced below $1.00 with a Post Only instruction.

First, the Exchange proposes to adopt Exchange Rule 2614(c)(2)(i)(A) to reprice non-displayed orders in securities priced below $1.00 to the locking price of the displayed order to help reduce the occurrence of an internally crossed book.[25] As mentioned above, proposed Exchange Rule 2614(c)(2)(i)(A) is based on Exchange Rule 2617(a)(4)(iv), which describes similar re-pricing of orders with an MEQ instruction that cross a contra-side displayed order.

Second, the Exchange proposes to make a related change to Exchange Rule 2617(a)(4)(iv) to treat securities priced below $1.00 in the same manner as it currently treats securities priced at or above $1.00 during an internally locked or crossed market. Expanding Exchange Rule 2617(a)(4)(iv) as proposed herein would allow the Exchange to treat orders in securities priced below $1.00 with a Post Only order instruction the same as orders in securities priced at or above $1.00 by allowing an execution at one-half minimum price variation greater (less) than the price of the resting displayed order to buy (sell) as set forth in the Rule.

Both of these proposals are an expansion of existing functionality and Exchange Rules, and, therefore, do not raise any new or novel issues. Each of these changes are described separately below.

Re-Pricing Non-Displayed Orders to the Locking Price to Decrease the Occurrence of an Internally Crossed Market

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[25] The Exchange notes that this functionality would also apply to orders in securities priced at or above $1.00 in the unlikely event that an incoming order in a security priced at or above $1.00 with a Post Only instruction would post to the MIAX Pearl Equities Book and result in an internally non-displayed crossed market.

As discussed above, if this proposal is approved, an order designated as Post Only in a security priced below $1.00 may post to the MIAX Pearl Equities Book at a price that results in an internally crossed market.[26] However, the Exchange will never post a displayed or non-displayed order to the MIAX Pearl Equities Book at a price that would cross a contra-side displayed order.

In keeping with this principle, the Exchange proposes to reprice non-displayed orders in securities priced below $1.00 in a similar scenario to help reduce the occurrence of an internally crossed book.[27] As proposed, Exchange Rule 2614(c)(2)(i)(A) would describe how a resting displayed order and an incoming non-displayed order designated as Post Only would be re-priced. Specifically, Exchange Rule 2614(c)(2)(i)(A) would provide that a non-displayed order designated as Post Only to buy (sell) that does not remove liquidity pursuant to Exchange Rule 2614(c)(2)(i), and that incoming non-displayed order, if posted at its limit price, would cross a displayed order to sell (buy) resting on the MIAX Pearl Equities Book, the non-displayed order will have a working price equal to the price of the displayed order to sell (buy). Proposed Exchange Rule 2614(c)(2)(i)(A) would also describe how a resting non-displayed order that would be crossed by an incoming displayed order with a Post Only instruction would be re-priced to have a working price equal to the locking price of the incoming displayed order. Specifically, proposed Exchange Rule 2614(c)(2)(i)(A) would provide that where a displayed

26 One byproduct of the Post Only order instruction is that it may result in the order for a security priced at or above $1.00 posting to the MIAX Pearl Equities Book at a price that results in an internally locked market on the Exchange. The Exchange notes that due to its fee structure, an incoming order in a security priced at or above $1.00 designated as Post Only that crosses a contra-side order resting on the MIAX Pearl Equities Book will execute upon entry because it would receive the necessary amount of price improvement in accordance with Exchange Rule 2614(c)(2). Therefore, such orders will not post to the MIAX Pearl Equities Book and cause an internally crossed market in securities priced at or above $1.00.

27 The Exchange notes that this functionality would also apply to orders in securities priced at or above $1.00 in the unlikely event that an incoming order in a security priced at or above $1.00 with a Post Only instruction would post to the MIAX Pearl Equities Book and result in an internally non-displayed crossed market.

order designated as Post Only to buy (sell) does not remove liquidity pursuant to Exchange Rule 2614(c)(2)(i), and that displayed order, if posted at its limit price, would cross a non-displayed order to sell (buy) resting on the MIAX Pearl Equities Book, the non-displayed order will have a working price equal to the price of the displayed order to sell (buy).

The Exchange notes that this portion of the proposal is consistent with how it currently re-prices orders with an MEQ instruction in the same circumstances. Specifically, for orders with an MEQ instruction, Exchange Rule 2614(c)(7)(B)(ii) provides 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 MEQ instruction will have a working price equal to the price of the displayed order to sell (buy). The Exchange proposes to apply the same behavior to other non-displayed orders as described herein.

Not only is proposed Exchange Rule 2614(c)(2)(i)(A) similar to how the Exchange re-prices orders with an MEQ instruction under Exchange Rule 2614(c)(7)(B)(ii), it is also similar to how the Exchange currently reprices non-displayed orders that cross the Protected Quotation of an external market.[28] Both IEX and Nasdaq re-price non-displayed orders to avoid an internally crossed market. In certain circumstances, Nasdaq re-prices non-displayed orders to buy (sell) to one minimum price increment below (above) the lowest (highest) price of resting orders to avoid an internally crossed market.[29] Likewise, IEX re-prices non-displayed orders that include a limit price more aggressive than the midpoint of the NBBO to the midpoint of the NBBO to prevent such orders from being posted at a price that crossed their midpoint of the

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

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.

NBBO.[30]

The Exchange believes that this portion of the proposal is consistent with the Act because it enables the Exchange to avoid an internally crossed book. Proposed Exchange Rule 2614(c)(2)(i)(A) is also not new or novel as it is based on existing functionality in place on the Exchange and other equity exchanges to avoid internally crossed markets. The Exchange also believes re-pricing a non-displayed order as proposed herein is not unfairly discriminatory because it seeks to avoid an abnormal market condition, i.e., an internally crossed book, in favor of an order with Post Only instruction that could represent more aggressively priced liquidity and price improvement opportunities for other contra-side orders. Like the Exchange provides today for orders with an MEQ instruction, Equity Members would be immediately notified if their order is re-priced as proposed herein and may re-enter such order with a new price if they choose to do so.

The following examples illustrate this proposed functionality.

Example No. 1.

A non-displayed order with a Post Only instruction to buy at $0.8009 ("Order 1") is entered and there is a displayed order resting on the MIAX Pearl Equities Book to sell at $0.8008 ("Order 2"). Order 1 does not remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement. The price of Order 1, if posted to the MIAX Pearl Equities Book, would cross the price of Order 2. In such case, to avoid an internally crossed book, the System will re-price Order 1 to $0.8008, the locking price of the displayed order resting on the MIAX Pearl Equities Book.

Example No. 2.

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

A non-displayed order to buy at $0.8009 is resting on the MIAX Pearl Equities Book ("Order 1"). A displayed order with a Post Only instruction to sell at $0.8008 is entered ("Order 2"). Order 2 does not remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement. The price of Order 2, if posted to the MIAX Pearl Equities Book, would cross the price of Order 1. In such case, to avoid an internally crossed book, the System will re-price Order 1 to $0.8008, the locking price of the incoming displayed order.

Example No. 3.

The following example describes when an incoming non-displayed order with a Post Only instruction is re-priced to the locking price pursuant to proposed Exchange Rule 2614(c)(2)(i)(A). Assume the PBBO is $0.50 by $0.53. A non-displayed Limit Order to buy at $0.5003 is entered and placed on the MIAX Pearl Equities Book ("Order 1"). Then, a non-displayed Limit Order to sell with a Post Only instruction at $0.5001 ("Order 2") is entered. Order 2 cannot execute against Order 1 and remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement.[31] Therefore, Order 2 will be re-priced and posted to the MIAX Pearl Equities Book and be non-displayed at $0.5003, the price of the displayed contra-side order, Order 1, pursuant to proposed Exchange Rule 2614(c)(2)(1)(A) discussed above, resulting in an internally non-displayed locked book. Then, a displayed Limit Order to buy at $0.5004 ("Order 3") is entered and executes against Order 2 at $0.50035, providing one-half minimum price increment of price improvement as compared to the price the order was posted at of $0.5003. However, if Order 3 was an order to sell at $0.5003, it would

31 See supra note 15. Price improvement of $0.0004 does not exceed the required 0.35% of the trade's value for there to be an execution pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2).

execute against Order 1 at $0.5003, Order 1's displayed price. If Order 3 was an order to sell at $0.5004, it would not execute because there is no marketable contra-side interest, and would be posted to the MIAX Pearl Equities Book at $0.5004.

Expanding Current Internally Locked or Crossed Book Order Handling to Alleviate an Internally Locked or Crossed Market to Securities Priced Below $1.00

By way of background, Exchange Rules 2617(a)(4)(i) and (ii) describe the process for matching incoming and Aggressing Orders for execution against contra-side orders resting on the MIAX Pearl Equities Book.[32] An Aggressing Order and an incoming order to buy (sell) will be automatically executed to the extent that it is priced at an amount that equals or exceeds (is less than) any order to sell (buy) on the MIAX Pearl Equities Book and is executable. Such order to buy (sell) will be matched for execution against sell (buy) orders resting on the MIAX Pearl Equities Book according to the price-time priority ranking of the resting orders.

Exchange Rule 2617(a)(4)(iii) provides that certain orders, based on their operation and User instructions, are permitted to post and rest on the MIAX Pearl Equities Book at prices that lock or cross contra-side liquidity, provided, however, that the System[33] will never display a locked or crossed market.[34] Exchange Rule 2617(a)(4)(iii) further provides that if an Aggressing Order or an incoming order to buy (sell) would execute upon entry against an order to sell (buy) at the same or worse price as a displayed order to buy (sell), the Aggressing Order or incoming order to buy (sell) would be cancelled or posted to the MIAX Pearl Equities Book and ranked in accordance with Exchange Rule 2616.

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32 Exchange Rules 2617(a)(4)(i)-(ii) are based on NYSE Rule 7.37(a), Cboe BZX and Cboe BYX Rules 11.13(a)(4)(A)-(B), and Cboe EDGA and Cboe EDGX Rules 11.10(a)(4)(A)-(B).

33 The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

34 Exchange Rule 2617(a)(4)(iii) is based on Cboe BZX and Cboe BYX Rules 11.13(a)(4)(C), and Cboe EDGA and Cboe EDGX Rules 11.10(a)(4)(C).

Again, one byproduct of the Post Only order instruction, and the MEQ instruction discussed above, is that they may result in the order posting to the MIAX Pearl Equities Book at a price that results in an internally locked or crossed market on the Exchange where one or both of the locking or crossing orders are non-displayed.[35] In the context of an order with a Post Only instruction, this may happen where an order does not remove all contra-side marketable resting liquidity pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) and is, therefore, posted to the MIAX Pearl Equities Book.

As discussed above, based on the Exchange's expertise, experience and data set forth above, the Exchange does not anticipate that expanding the Post Only instruction to sub-dollar securities would cause anything other a potential de minimis increase, if any, of internally non-displayed locked or crossed markets on the Exchange. Based on the Exchange's observations and experience, in the rare event that an internally non-displayed locked or crossed book on Exchange does occur, such instances are typically alleviated almost immediately or within extremely short period of time of their initial occurrence.

In the rare occurrence an internally non-displayed locked or crossed market does occur, the Exchange has method to resolve such instances in a manner that honors intra-market price priority. This mechanism is set forth under Exchange Rule 2617(a)(4)(iv), which governs the price at which a non-displayed order is executable when there is a contra-side displayed order at

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35 The Exchange notes that its rules and the Act prohibit the Exchange from displaying a locked or crossed market and an order that would create a displayed locked or crossed market on the Exchange would be rejected, if incoming, or cancelled, if resting. See, e.g., Exchange Rules 2617(a)(4) (providing that "[a]n order will be cancelled back to the User if, based on market conditions, User instructions, applicable Exchange Rules and/or the Act and the rules and regulations thereunder, such order is not executable, cannot be routed to another Trading Center pursuant to paragraph (b) of this Exchange Rule 2617 below and cannot be posted to the MIAX Pearl Equities Book"); 2617(a)(4)(iii) (stating that "that the System will never display a locked or crossed market"); and 2624(b) (stating that "the System shall not make available for dissemination, and Users shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation, and any Manual Quotations that lock or cross a quotation previously disseminated pursuant to an Effective National Market System Plan"). See also Rules 610 and 611 of Regulation NMS.

a price that results in an internally locked or crossed book. Today, for securities priced equal to or greater than $1.00 per share, in the case where a non-displayed order to sell (buy) is posted on the MIAX Pearl Equities Book at a price that locks a displayed order to buy (sell) pursuant to Exchange Rule 2617(a)(4)(iii) described above, an Aggressing Order or an incoming order to buy (sell) described in Exchange Rules 2617(a)(4)(i) and (ii) that is a Market Order or a Limit Order priced more aggressively than the order to buy (sell) displayed on the MIAX Pearl Equities Book, that Aggressing Order or incoming order will execute against the non-displayed order to sell (buy) resting on the MIAX Pearl Equities Book at one-half minimum price variation[36] greater (less) than the price of the resting displayed order to buy (sell).[37] The Exchange proposes to amend Exchange Rule 2617(a)(4)(iv) to remove the phrase "for securities priced equal to or greater than $1.00 per share" and, therefore, provide the same behavior for bids or offers in securities priced below $1.00 per share as the Exchange does today for securities priced at or above $1.00 when executing orders during times when the Exchange is experiencing a non-displayed internally locked or crossed book.

Exchange Rule 2616 sets forth the priority among orders resting on the MIAX Pearl Equities Book and there is no priority relationship between an incoming order and a same side resting order up to and until each order is resting on the MIAX Pearl Equities Book.[38] It is also well established that in the case of both an incoming order or between resting orders (as in the case when one order is an Aggressing Order) that, to comply with intra-market price priority, a

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36 See Exchange Rule 2612, Minimum Price Variations. Exchange Rule 2612(a) provides that bids, offers, orders or indications of interests in securities traded on the Exchange shall not be made in an increment smaller than: (1) $0.01 if those bids, offers or indications of interests are priced equal to or greater than $1.00 per share; or (2) $0.0001 if those bids, offers or indications of interests are priced less than $1.00 per share.

37 This functionality is well established and has been previously approved by the Commission. See Securities Exchange Act Release No. 89563 (August 14, 2020), 85 FR 51510 (August 20, 2020) (SR-PEARL-2020-03) (adopting rules for MIAX Pearl Equities, including Exchange Rule 2617(a)(4)). See also, e.g., Cboe EDGA and Cboe EDGX Rules 11.10(a)(4) and Cboe BYX and Cboe BZX Rules 11.13(a)(4).

38 See generally Exchange Rules 2616 and 2617(a)(4).

resting order to buy (sell) 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 resting buy (sell) order; or (2) at a price above (below) any sell (buy) non-displayed order that has a ranked price below (above) the price of such resting buy (sell) order.[39] This behavior also allows the Exchange to manage an internally locked book while continuing to honor each order's instructions while working to alleviate this infrequent, but abnormal market occurrence, and maintain a fair and orderly market.

In keeping with the above principles, the Exchange would apply the same standards to securities priced below $1.00 as it does today for securities priced at or above $1.00 under Exchange Rule 2617(a)(4)(iv). In doing so, the Exchange would honor intra-market price priority by preventing an incoming or Aggressing Order from executing at the same price as a same-side displayed order on the MIAX Pearl Equities Book.

This portion of the proposal is an expansion of existing rules and functionality available to securities priced at or above $1.00, and therefore, does not raise any new or novel issues not already considered by the Commission.[40]

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The following examples illustrate: (i) how the Exchange currently handles securities priced at or above $1.00 pursuant to Exchange Rule 2617(a)(4)(iv); and (ii) how the Exchange would handle securities priced below $1.00 pursuant to expanded Exchange Rule 2617(a)(4)(iv), as proposed to be amended herein. For each example, assume there are no orders resting on the MIAX Pearl Equities book.

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39 See, e.g., Exchange Rule 2614(c)(7)(ii)(C), NYSE Rule 7.31(i)(3)(C), and Cboe EDGX Rule 11.6(h) for a description of intra-market price priority in the context of a non-displayed locked or crossed market created by minimum execution quantity order types).

40 See supra note 13.

Securities Priced at or Above $1.00 (Current Behavior)

The following examples illustrate how the Exchange handles securities priced at or above $1.00 pursuant to Exchange Rule 2617(a)(4)(iv) for both incoming orders as well as when the Exchange reevaluates the MIAX Pearl Equities Book due to an external event, such as a change to the Limit Up-Limit Down ("LULD") Price Bands and an Aggressing Order executes against contra-side interest.

Incoming Order

Assume the PBBO was $16.10 by $16.11 resulting in a midpoint of $16.105. An order to buy at $16.11 is resting non-displayed on the MIAX Pearl Equities Book ("Order 1"). A displayed Limit Order to sell at $16.11 designated as Post Only is subsequently entered ("Order 2"). Assume that Order 2 will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2), and will post to the MIAX Pearl Equities Book and be displayed at $16.11. The display of Order 2 will, in turn, make the resting Order 1 not executable at $16.11. An incoming order to sell at $16.10 is then entered ("Order 3"). Order 3 will execute against Order 1 at $16.105 per share upon entry, thus providing a half-penny of price improvement as compared to the Order 1's limit price of $16.11.[41]

The following example describes where the execution occurs at a sub-penny price that is not at the midpoint of the PBBO. Assume the PBBO is $16.08 by $16.10 resulting in a midpoint of $16.09. An order to sell at $16.08 is resting non-displayed on the MIAX Pearl Equities Book

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41 The Exchange notes that internally locked or crossed markets may occur on Nasdaq due to orders with a minimum quantity requirement or where one side of the market is non-displayed. In the scenario set forth in the above example, as well as similar scenario set forth in the below examples, the Exchange understands that during an internally locked or crossed market Nasdaq would execute Orders 1 and 3 at the locking price of $16.11. The Exchange believes it is preferential to execute these orders at a price other than the locking price because doing so honors the first principle of intra-market price priority, namely that a resting order to buy (sell) will not be eligible to trade: (i) 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 resting buy (sell) order, as discussed above.

("Order 1"). A displayed Limit Order to buy at $16.08 designated as Post Only is subsequently entered ("Order 2"). Assume that Order 2 will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2), and will post to the MIAX Pearl Equities Book and be displayed at $16.08. The display of Order 2 will, in turn, make Order 1 not executable at $16.08. An incoming order to buy at $16.09 is entered ("Order 3"). Order 1 will execute against Order 3 at $16.085 per share, thus providing a half-penny of price improvement as compared to the Order 1's limit price of $16.08.

Re-Evaluation of MIAX Pearl Equities Book Due to External Event

Assume the PBBO is $50.00 by $53.00, and the LULD Price Bands disseminated by the applicable SIP are $49.00 by $50.00. A non-displayed Limit Order to sell at $50.07 is entered and placed on the MIAX Pearl Equities Book ("Order 1"). Then, a displayed Limit Order to buy at $50.07 with a Post Only instruction is entered ("Order 2"). Order 2 cannot execute against Order 1 and remove liquidity upon entry because of the LULD Price Bands, which result in Order 2 being posted to the MIAX Pearl Equities Book and re-priced to $50.00, the upper LULD Price Band pursuant to Exchange Rule 2622(h)(2)(A)5.b. The Exchange BBO is now $50.00 by $50.07. Then, a displayed Limit Order to buy at $50.08 is entered and is also re-priced to $50.00, the upper LULD Price Band pursuant to Exchange Rule 2622(h)(2)(A)5.b ("Order 3"). The LULD Price Bands disseminated by the applicable SIP are then updated to $48.00 by $51.00, causing the Exchange to evaluate its book for potential executions. First, Order 2 is re-priced to $50.07, resulting in an internally non-displayed locked book. Order 2, the Aggressing Order, cannot execute against Order 1 and remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2). Order 3 is then evaluated and executes against Order 1 at $50.075, providing one-half minimum price increment of price improvement as compared to the order's limit price of $50.07.

Securities Priced Below $1.00 (Proposed)

As stated above, the Exchange proposes to treat all securities the same pursuant to Exchange Rule 2617(a)(4)(iv) regardless of price. The following example illustrates this behavior and describes how the Exchange would handle securities priced below $1.00 in the same manner as securities priced at or above $1.00 pursuant to amended Exchange Rule 2617(a)(4)(iv) for both incoming orders as well as how an Aggressing Order would behave when the Exchange reevaluates the MIAX Pearl Equities Book due to an external event, such as a change to the Limit Up-Limit Down Price Bands.

Incoming Order

The following examples illustrates how the Exchange handles securities priced below $1.00 pursuant to Exchange Rule 2617(a)(4)(iv).

Example No. 1

Assume the PBBO is $0.500 by $0.502 resulting in a midpoint of $0.501. A Midpoint Peg Order to sell at $0.501 is resting non-displayed on the MIAX Pearl Equities Book at $0.501, which is also the midpoint of the PBBO ("Order 1"). A displayed Limit Order to buy 50 shares at $0.501 designated as Post Only is subsequently entered ("Order 2"). Order 2 is an odd lot size and does not result in an update to the PBBO. Order 2 will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement, and will post to the MIAX Pearl Equities Book and be displayed at $0.501. The display of this order will, in turn, result in an internally locked book and make Order 1 not executable at $0.501. If an incoming order to buy is entered into the MIAX Pearl Equities Book at a price of $0.5011 ("Order 3"), Order 1, originally priced at $0.501, will execute against Order 3 at $0.50105 per share, thus providing one-half minimum price increment of price improvement as compared to the order's pegged price (i.e. midpoint of PBBO), which also equaled its limit price, of $0.501.

Example No. 2

The following example is a variation of the above example. Assume the PBBO is $0.50 by $0.53. A non-displayed Limit Order to sell at $0.5003 is entered and placed on the MIAX Pearl Equities Book ("Order 1"). Then, a displayed Limit Order to buy with a Post Only instruction at $0.5007 ("Order 2") is entered. Order 2 cannot execute against Order 1 and remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2) because it would not receive the requisite price improvement.[42] Therefore, Order 2 will post to the MIAX Pearl Equities Book and be displayed at $0.5007. As a result, Order 1 will be re-priced to $0.5007, the price of the displayed contra-side order, Order 2, pursuant to proposed Exchange Rule 2614(c)(2)(1)(A) discussed above, resulting in an internally non-displayed locked book. Then, a displayed Limit Order to buy at $0.5008 is entered and executes against Order 1 at $0.50075, providing one-half minimum price increment of price improvement as compared to the order's limit price of $0.5007. However, if Order 3 was an order to sell, it would execute against Order 2 at $0.5007, Order 2's displayed price.

Example No. 3

The following example describes when the execution occurs at a sub-penny price that is not at the midpoint of the PBBO. Assume the PBBO is $0.5000 by $0.5030 resulting in a midpoint of $0.5015. An order to sell at $0.5020 is resting non-displayed on the MIAX Pearl Equities Book. A displayed Limit Order to buy at $0.5020 designated as Post Only is subsequently entered. Assume that the displayed order to buy designated as Post Only will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality

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42 See supra note 15. Price improvement of $0.0004 does not exceed the required 0.35% of the trade's value for there to be an execution pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2).

under Exchange Rule 2614(c)(2), and will post to the MIAX Pearl Equities Book and be displayed at $0.5020. The display of this order will, in turn, result in an internally non-displayed locked book and make the resting non-displayed order to sell not executable at $0.5020. If an incoming order to buy is entered into the MIAX Pearl Equities Book at a price equal to or greater than $0.5021, the resting non-displayed order to sell originally priced at $0.5020 will execute against the incoming order to buy at $0.50205 per share, thus providing one-half minimum price increment of price improvement as compared to the order's limit price of $0.5020.

Example No. 4

The following example describes when the execution occurs when the Exchange is experiencing an internally crossed market due to two contra-side non-displayed orders. Assume the PBBO is $0.5000 by $0.5030 resulting in a midpoint of $0.5015. An order to buy at $0.5003 is resting non-displayed on the MIAX Pearl Equities Book ("Order 1"). A non-displayed Limit Order to sell at $0.5000 designated as Post Only is subsequently entered ("Order 2"). Assume Order 2 will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2), and will post to the MIAX Pearl Equities Book non-displayed at $0.5000. This will, in turn, result in an internally non-displayed crossed book of $0.5003 by $0.5000. An incoming order to sell is entered into the MIAX Pearl Equities Book at a price equal to or less than $0.5000 will execute against Order 1 at $0.5003.

Re-Evaluation of MIAX Pearl Equities Book Due to External Event

Assume the PBBO is $0.50 by $0.53, and the LULD Price Bands disseminated by the applicable SIP are $0.49 by $0.50. A non-displayed Limit Order to sell at $0.5003 is entered and placed on the MIAX Pearl Equities Book ("Order 1"). Then, a displayed Limit Order to buy with a Post Only instruction to buy at $0.5007 ("Order 2"). Order 2 cannot execute against Order 1 due to the LULD Price Bands which cause Order 2 to be posted to the MIAX Pearl

Equities Book and re-priced to $0.50, the upper LULD Price Band pursuant to Exchange Rule 2622(h)(2)(A)5.b. The Exchange BBO is now $0.50 by $0.5003. Then, a displayed Limit Order to buy at $0.5008 is entered and is also re-priced to $0.50, the upper LULD Price Band pursuant to Exchange Rule 2622(h)(2)(A)5.b ("Order 3"). The LULD Price Bands disseminated by the applicable SIP are then updated to $0.48 by $0.51, causing the Exchange to evaluate its book for potential executions. First, Order 2 is re-priced to $0.5007 and cannot execute against Order 1 and remove liquidity pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2). As a result, Order 1 will be re-priced to $0.5007, the price of the displayed contra-side order, Order 2 pursuant to proposed Exchange Rule 2614(c)(2)(1)(A) discussed above, resulting in an internally non-displayed locked book. Order 2, the Aggressing Order, cannot execute against Order 1 and remove liquidity upon entry pursuant to the Exchange's economic best interest functionality under Exchange Rule 2614(c)(2). Order 3 executes against Order 1 at $0.50075, providing one-half minimum price variation of price improvement as compared to the order's limit price of $0.5007.

Implementation

Should the Commission approve this proposal, the Exchange will issue a trading alert publicly announcing the implementation date of the proposed amendments.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,[43] in general, and furthers the objectives of Section 6(b)(5),[44] in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating,

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43 15 U.S.C. 78f(b).

44 15 U.S.C. 78f(b)(5).

clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

Expanding Post Only Instruction to Sub-Dollar Securities

In sum, the Exchange believes the proposed amendments to Exchange Rule 2614(c)(2) to extend the Post Only instruction to securities priced below $1.00 will remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide for similar treatment to all orders in all securities regardless of price. This portion of the proposal also promotes just and equitable principles of trade because it will allow Equity Members to utilize the Post Only instruction on an order for a security at any price, rather than being limited to securities priced at or above $1.00. The Post Only instruction is an important tool in U.S. equities markets because it allows Equity Members to post aggressively priced liquidity, and provides certainty as to the fee or rebate that will be applied by the Exchange if their order is executed. Without such ability, the Exchange believes that certain Equity Members would simply post less aggressively priced liquidity, and prices available for market participants, including retail investors, may be adversely impacted. Orders with a Post Only instruction contribute to improved liquidity, market depth and, if displayed, price transparency. Expanding Post Only functionality to orders in sub-dollar securities would provide an additional exchange-level pool of liquidity for market participants that utilize Post Only functionality for sub-dollar securities. As such, the proposed rule change may encourage market participants to send additional sub-dollar trading volume to the Exchange, rather than the off-exchange marketplace, and, therefore, serve to improve on-exchange liquidity and price transparency in sub-dollar securities. Orders with a Post Only instruction entered on the Exchange could improve price transparency if the entering firm elected such order to be displayed and made available via an Exchange's data feeds and disseminated by the applicable SIP. Allowing an order in a security priced below $1.00 to contain a Post Only instruction would also deepen the Exchange's pool of available liquidity in sub-dollar securities, which is a growing area of trading, particularly for retail investors. A deeper and more liquid market supports the quality of price discovery, promotes market transparency, and improves market quality for all investors.

As noted above, the Exchange adopted its current Post Only behavior as part of its broader proposal to adopt rules governing trading of equity securities, in which it sought to operate its equity market in a manner similar to that of other equity exchanges that it based its rules and functionality upon several years ago. This included adopting functionality that limited the availability of the Post Only instruction to orders in securities priced at or above $1.00. Again, and importantly, the Exchange did not adopt this limitation due to fear of some potential nefarious activity in sub-dollar securities trading, but rather due to lack of interest by market participants in such functionality at the time MIAX Pearl Equities was being developed and filing its initial rule set with the Commission for approval.

This portion of the proposal also does not raise any new or novel issues as identical functionality is available on other equities exchanges. As discussed above, Nasdaq and their affiliated markets provide Post Only Orders to all securities regardless of price, which are posted, ranked, and displayed or posted non-displayed, as applicable, at their limit price upon entry. However, Nasdaq permits a Post-Only Order to execute upon entry if "the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity".[45] This is analogous to the Exchange's current

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[45] See Nasdaq Equity 4, Rule 4702(b)(4).

behavior for orders with a Post Only instruction in securities priced at or above $1.00 as well as the Exchange's proposed changes described herein for securities priced below $1.00. The NYSE and its affiliate exchanges also provide similar "post only" functionality in the form of ALO orders, which is also available to securities priced below $1.00.[46] This portion of the Exchange's proposal would remove impediments to and perfect the mechanism of a free and open national market system because it seeks to expand the population of exchanges that offer "post only" treatment for securities priced below $1.00 by allowing the Exchange to provide an additional exchange-level pool of liquidity where market participants may send such orders.

This proposal is designed to facilitate transactions in securities by increasing competition among exchanges for the currently available order flow in securities priced below $1.00 by ensuring that all order types and order instructions are available equally to all securities regardless of the order's price. As explained above, providing "post only" treatment in securities priced below $1.00 should not increase the overall volume or order flow in sub-dollar securities but could encourage more aggressively priced liquidity, improve liquidity, market depth and, if displayed, price transparency in such securities. The Exchange believes this proposal will facilitate transactions in sub-dollar securities by increasing exchange competition by allowing the Exchange to provide functionality that would allow it to attract a greater slice of the current volume in sub-dollar securities, while also encouraging market participants to send their sub-dollar trading volume to an exchange-level pool of liquidity, rather than opaque off-exchange trading venues (i.e., dark pools), which are less transparent. Therefore, the Exchange believes this proposal will enhance exchange competition, facilitate transactions in sub-dollar securities, and not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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46 See, e.g., NYSE Rule 7.31(e)(2).

This proposal is not intended to encourage an increase in the overall volume or order flow in sub-dollar securities. Trading in sub-dollar securities both on- and off-exchange has grown significantly since the Exchange adopted Exchange Rule 2614(c)(2) and launched operations in September 2020. For example, average daily sub-dollar trading volume comprised approximately 9% of the overall daily volume in September 2025. In fact, the Exchange found that overall volume in sub-dollar securities has been slowly decreasing since June 2025 from approximately 14% to 9% in September 2025. Meanwhile, off-exchange market share in sub-dollar securities remained high averaging over 60%.[47]

As mentioned above, there are numerous factors that have contributed to the increase in sub-dollar trading volumes and approval of this proposal, alone, would not further encourage or contribute to an increase in sub-dollar trading volumes. Rather, the Exchange believes this proposal will remove impediments to a free and open market by increasing inter-market competition. The proposed changes will allow the Exchange to provide functionality to attract a greater slice of the current volume in sub-dollar securities by encouraging market participants to send their sub-dollar trading volume to another exchange-level pool of liquidity, rather than the opaque off-exchange trading venues (i.e., dark pools), which are less transparent. In addition, Equity Members recently requested the Exchange modify its Post Only instruction as proposed. The Exchange, therefore, believes this portion of the proposal is consistent with the Act.

In addition, amended Exchange Rule 2614(c)(2) is not unfairly discriminatory, but rather promotes equal treatment of all Equity Members, as it will permit the Post Only instruction to be used by all Equity Members that submit orders for securities at any price and the order instruction will no longer be limited to securities priced at or above $1.00.

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47 See MEMX LLC's December 2024 Exchange Highlights, dated January 10, 2024, available at https://memx.com/exchange-highlights-key-trading-trends-that-defined-another-banner-year-in-the-markets/.

Expanding Existing Functionality to Avoid or Alleviate Internally Locked or Crossed Markets to Securities Priced Below $1.00 with a Post Only Instruction

As discussed above, differences exist between the market structures for securities priced at or above $1.00 and those below $1.00 that impact how the Post Only order instruction may function. This includes different fee levels and minimum price increments which could allow an order with a Post Only instruction to only result in an internally locked market in securities priced at or above $1.00 and both an internally locked or crossed market in securities priced below $1.00. Also, as discussed above, the Exchange reviewed its own data and found that internally locked and crossed markets are rare events and should continue to be rare under this proposal. Based on the Exchange's expertise and experience, the Exchange anticipates that expanding the Post Only instruction to sub-dollar securities would cause at most, a potential de minimis, if any, increase of internally non-displayed locked or crossed markets on the Exchange. Also, based on the Exchange's observations and experience, in the rare event such instances do occur, an internally non-displayed locked or crossed book is typically alleviated almost immediately or within extremely short period of time of their initial occurrence.

Nonetheless, in the rare event they do occur, the Exchange has well established mechanisms to both avoid an internally locked or crossed market and to alleviate an internally locked or crossed market. This includes expanding current re-pricing functionality by adopting Exchange Rule 2614(c)(2)(i)(A) to reprice non-displayed orders in securities priced below $1.00 to the locking price of the displayed order resting on the MIAX Pearl Equities Book to help reduce the occurrence of an internally crossed book.[48] In addition, should an internally locked or crossed market occur, the Exchange has a current mechanism under Exchange Rule

48 The Exchange notes that this functionality would also apply to orders in securities priced at or above $1.00 in the unlikely event that an incoming order in a security priced at or above $1.00 with a Post Only instruction would post to the MIAX Pearl Equities Book and result in an internally non-displayed crossed market.

2617(a)(4)(iv) to alleviate those occurrences while honoring intra-market price priority. Expanding this mechanism under Exchange Rule 2617(a)(4)(iv) to securities priced below $1.00 would allow for the Exchange to alleviate an internally locked or crossed book and would provide for the consistent treatment of all securities during an internally locked or crossed market, regardless of price.

Re-Pricing Non-Displayed Orders to the Locking Price to Decrease the Occurrence of an Internally Crossed Market

The Exchange believes proposed Exchange Rule 2614(c)(2)(i)(A) to re-price non-displayed orders to the locking price, including those with a Post Only instruction that would cross a contra-side displayed order promotes just and equitable principles of trade because it would serve to decrease the occurrence of the Exchange experiencing an abnormal market condition in the form of a non-displayed internally crossed book. The Exchange will never post a displayed or non-displayed order to the MIAX Pearl Equities Book at a price that would cross a contra-side displayed order.

In addition, proposed Exchange Rule 2614(c)(2)(i)(A) is analogous to how the Exchange currently reprices orders with an MEQ instruction pursuant to Exchange Rule 2614(c)(7)(B)(ii).[49] The Exchange believes utilizing this re-pricing mechanism for sub-dollar securities with a Post Only instruction promotes just and equitable principles of trade because this functionality would be consistent with how the Exchange currently reprices orders with a MEQ instruction, which has previously been considered by the Commission.[50] This proposal

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49 Exchange Rule 2614(c)(7)(B)(ii) provides 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 MEQ instruction will have a working price equal to the price of the displayed order to sell (buy).

50 This functionality is not unique and is 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 a non-displayed order, like it currently does for an order with a Minimum Execution Quantity instruction, that crosses the PBO (PBB) of the Exchange in addition to the PBO (PBB)

simply seeks to expand such functionality without raising new discrimination concerns among orders below and above (or at) $1.00. Re-pricing non-displayed orders with a Post Only instruction to the locking price of the displayed order, as proposed, is appropriate and necessary to avoid an internally crossed market. Doing so in favor of the displayed order allows the displayed order to continue to contribute to price discovery at that price level while the non-displayed order does not provide like pre-trade price transparency. The Exchange's rules would be clear as to when a non-displayed order may be re-priced to the locking price when there is contra-side displayed interest resting on the MIAX Pearl Equities Book and, thus, avoid an internally crossed market. Market participants who do not want their orders to be re-priced may enter the non-displayed order with a limit price that would prevent the order from being re-priced to an undesirable price level or those market participants may immediately cancel such order if they choose to do so. Equity Members are also free to choose which trading venues to route orders to and those that seek to avoid this functionality are free to route their non-displayed orders to another exchange.

This is also analogous to the Exchange's current Non-Displayed Price Sliding Process set forth under Exchange Rule 2614(g)(2) where the Exchange would also reprice a non-displayed order to the locking price. Pursuant to Exchange Rule 2614(g)(2), to avoid potentially trading through Protected Quotations of an away Trading Center, a non-displayed, non-routable order to buy (sell) that, upon entry or due to a change in the PBO (PBB), would cross the PBO (PBB) of an away Trading Center will be assigned a working price by the System equal to the PBO (PBB). Both IEX and Nasdaq re-price non-displayed orders to avoid an internally crossed market. In certain circumstances, Nasdaq re-prices non-displayed orders to buy (sell) to one minimum price

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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).

increment below (above) the lowest (highest) price of resting orders to avoid an internally crossed market.[51] Likewise, IEX re-prices non-displayed orders that include a limit price more aggressive than the midpoint of the NBBO to the midpoint of the NBBO to prevent such orders from being posted at a price that crossed their midpoint of the NBBO.[52] The Exchange, therefore, believes that this portion of the proposal is consistent with the Act because it enables the Exchange to avoid an internally crossed book and is based on existing functionality in place on the Exchange and other equity exchanges to avoid internally crossed markets. The Exchange also believes re-pricing a non-displayed order as proposed herein promotes just and equitable principles of trade because it seeks to avoid an abnormal market condition, i.e., an internally crossed book, in favor of an order with the Post Only instruction that could represent more aggressively priced liquidity and price improvement opportunities for other contra-side orders. Like the Exchange provides today for orders with an MEQ instruction, Equity Members would be immediately notified if their order is re-priced as proposed herein and may re-enter such order with a new price if they choose to do so. The Exchange, therefore, believes the proposed changes do not raise any new or novel issues not already considered by the Commission.

The Exchange believes it is appropriate and not unfairly discriminatory to reprice the non-displayed order as proposed above, and consistent with how it currently reprices orders with a MEQ instruction, which has previously been considered by the Commission.[53] This proposal

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51 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.

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

53 This functionality is not unique and is 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 a non-displayed order, like it currently does for an order with a Minimum Execution Quantity 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).

simply seeks to expand such functionality without raising new discrimination concerns. Re-pricing non-displayed orders with a Post Only instruction to the locking price of the displayed order, as proposed, is appropriate and necessary to avoid an internally crossed market. Doing so in favor of the displayed order allows the displayed order to continue to contribute to price discovery at that price level while the non-displayed order does not provide like pre-trade price transparency. The Exchange's rules would be clear as to when a non-displayed order may be re-priced to the locking price when there is contra-side displayed interest resting on the MIAX Pearl Equities Book and, thus, avoid an internally crossed market. Market participants who do not want their orders to be re-priced may enter the non-displayed order with a limit price that would prevent the order from being re-priced to an undesirable price level or those market participants may immediately cancel such order if they choose to do so. Equity Members are also free to choose which trading venues to route orders to and those that seek to avoid this functionality are free to route their non-displayed orders to another exchange.

Expanding Current Internally Locked or Crossed Book Order Handling to Alleviate an Internally Locked or Crossed Market to Securities Priced Below $1.00

The occurrence of a non-displayed internally locked or crossed market on the Exchange is an extremely rare occurrence, and the Exchange does not anticipate that this proposal would cause anything more than a potential de minimis increase, if any. Should they occur, the Exchange has an effective mechanism in place today for securities priced at or above $1.00 that it simply seeks to expand to securities priced below $1.00 to alleviate an internally locked or crossed book. Specifically, expanding Exchange Rule 2617(a)(4)(iv) to securities priced below $1.00 would facilitate transactions in securities during the extremely rare occurrence of a non-displayed internally locked or crossed market where a resting contra-side displayed order would otherwise prohibit such order from execution against an incoming or Aggressing Order by allowing an execution at one-half minimum price variation greater (less) than the price of the resting displayed order to buy (sell), as set forth in the Rule. In doing so, the proposal would also provide that all orders, regardless of price, are executable at the applicable one-half minimum price increment during a non-displayed internally locked or crossed market, while also ensuring that the Exchange continues to honor the intra-market price priority of all orders in such circumstances.

As discussed above, the principle of intra-market price priority provides that, in the case of both an incoming order or between resting orders that a resting order to buy (sell) 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 resting buy (sell) order; or (2) at a price above (below) any sell (buy) non-displayed order that has a ranked price below (above) the price of such resting buy (sell) order.[54] The Exchange proposes to apply the same intra-market price priority standards to securities priced below $1.00 as it does today for securities priced at or above $1.00 under Exchange Rule 2617(a)(4)(iv). Doing so would ensure the Exchange continues to honor intra-market price priority in securities priced below $1.00 by preventing an incoming or resting order from executing at the same or better price as a displayed order or same price as a non-displayed order resting on the MIAX Pearl Equities Book. In doing so, the Exchange would not violate intra-market price priority for sub-dollar securities when trading out of an internally locked or crossed market.

This portion of the proposal would allow the Exchange to treat orders in securities below $1.00 in a similar manner as securities priced at or above $1.00, thereby providing market participants with consistent handing of all orders regardless of price. This order handling is necessary in order to address specific conditions that are present on the MIAX Pearl Equities

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54 See, e.g., Exchange Rule 2614(c)(7)(ii)(C), NYSE Rule 7.31(i)(3)(C), and Cboe EDGX Rule 11.6(h) for a description of intra-market price priority in the context of a non-displayed locked or crossed market created by minimum execution quantity order types).

Book when an order containing a Post Only instruction is displayed opposite the ranked price of a non-displayed order resulting in an internally locked or crossed book. The proposal would also facilitate transactions in securities by making orders eligible for execution where a resting contra-side displayed order would otherwise prohibit such order from execution against an incoming or Aggressing Order.

In sum, this would allow all orders to be treated in a similar manner, regardless of price by providing, under limited circumstances, a resting order priced below $1.00 that would otherwise be non-executable due to the presence of a displayed order, including a displayed order containing a Post Only instruction. Pursuant to Exchange Rule 2617(a)(4)(iv) an order that is currently unable to execute at the locking price due to the presence of a contra-side displayed order would be eligible to execute against an incoming order priced more aggressively than the contra-side displayed order at one-half minimum price increment above (below) the locking price.

For the reasons set forth above, the Exchange believes amended Exchange Rule 2617(a)(4)(iv) is consistent with the Act because it would allow the Exchange to facilitate transactions in securities, honor intra-market price priority, and alleviate an internally non-displayed locked or crossed book that may occur due to expanding the availability of the Post Only instruction to securities priced below $1.00. The current one-half minimum price increment functionality for securities priced at or above $1.00 under Exchange Rule 2617(a)(4)(iv) has in fact been approved repeatedly by the Commission in the past and that identical functionality should be expanded to cover securities priced below $1.00.[55] The

[55] See, e.g., Securities Exchange Act Release Nos. 88806 (May 4, 2020), 85 FR 27451 (May 8, 2020) (File No. 10-237) (Approving MEMX LLC's exchange application which included MEMX Rule 11.10(a)(4)); 73468 (October 29, 2014), 79 FR 65450 (November 4, 2014) SR-EDGX-2014-18 (Notice of Filing of Amendment Nos. 1 and 3 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 3, To Amend EDGX Rule 1.5 and Chapter XI Regarding Current System Functionality Including the Operation of Order Types and Order Instructions, which included Cboe

Exchange simply seeks to expand this functionality to securities priced below $1.00, therefore, believes its proposal is consistent with Section 6(b)(5) of the Act.

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.

Intra-Market Competition

The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes to Exchange Rule 2614(c)(2) will apply equally to all Equity Members and all Equity Members will be eligible to utilize the Post Only instruction for securities priced below $1.00, just as they do today for securities priced at or above $1.00.

Similarly, the proposed change to Exchange Rule 2617(a)(4)(iv) applies similarly to all Equity Members because the proposed order handling behavior changes abide by the principles of intra-market price priority and will treat all securities in a similar fashion, regardless of price. Each proposed change is designed to expand an existing Exchange order instruction and existing order handling behavior to securities priced below $1.00, with no change, due to the growth in sub-dollar trading volumes that the Exchange has experienced since in launched operations in September 2020.

Proposed Exchange Rule 2614(c)(2)(i)(A) to re-price to the locking price of non-displayed orders, including those with a Post Only instruction, that would cross a contra-side displayed order is similar to how the Exchange currently reprices orders with a MEQ instruction

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EDGX Rule 11.10(a)(4)) (SR-EDGX-2014-18); and 73592 (November 13, 2014), 79 FR 68937 (November 19, 2014) (SR-EDGA-2014-20) ("Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Amend EDGA Rule 1.5 and Chapter XI Regarding Current System Functionality Including the Operation of Order Types and Order Instructions, which included Cboe EDGA Rule 11.10(a)(4)). See also, e.g., Cboe EDGA Rule 11.10(a)(4). See also Cboe BYX and Cboe BZX Rules 11.13(a)(4).

pursuant to Exchange Rule 2614(c)(7)(B)(ii). This portion of the proposal simply seeks to provide consistent treatment of similarly situated orders and should not impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Overall, the Exchange believes its proposal will not impose any burden on intra-market competition because the proposed functionality would be available to all Equity Members who may choose to utilize the proposed change based on their own business decisions and trading behaviors.

Inter-Market Competition

The Exchange similarly does not believe that the proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. In fact, the Exchange notes other national equities exchanges already offer identical "post only" treatment of orders priced below $1.00.[56] There are numerous other factors that contribute to sub-dollar trading volumes, the majority of which occurs off-exchange.[57] This proposal would expand the population of exchanges that offer "post only" treatment for securities priced below $1.00 and would not only allow the Exchange to compete with exchanges that currently offer such functionality to sub-dollar securities, but also enable the Exchange to provide an additional exchange-level pool of liquidity where market participants may send such orders. The Exchange believes this proposal will increase exchange competition by allowing the

56 See supra notes 22, 23, and 24.

57 The increase in sub-dollar trading volume has not been due to any new or novel exchange order types, but rather increased retail participation, especially since the Covid-19 pandemic and social media fueled hype; rise of off-exchange trading, including dark pools; reverse stock splits; and high market volatility causing prices to fall and making them prone to trading below $1.00. See, e.g., U.S Equities Volume Drivers: Retail Trading in Subdollar Securities, dated November 24, 2024, available at https://www.cboe.com/insights/posts/u-s-equities-volume-drivers-retail-trading-in-subdollar-securities/; and Off Exchange Trading Increases Across all Types of Stocks, dated February 13, 2025, available at https://www.nasdaq.com/articles/exchange-trading-increases-across-all-types-stocks#:~:text=The%20rise%20is%20largely%20driven,ATS%20trades%20printed%20off%2Dexchange.

Exchange to provide functionality that would allow it to attract a greater slice of the current volume in sub-dollar securities by encouraging market participants to send their sub-dollar trading volume to an exchange-level pool of liquidity, rather than the opaque off-exchange trading venues (i.e., dark pools), which are less transparent. The Exchange believes its proposal to expand the use of the Post Only instruction to securities priced below $1.00 will promote competition between the Exchange and other exchanges for volume in sub-dollar securities.

The Exchange similarly believes that its proposal to amend Exchange Rule 2617(a)(4)(iv) does not impose a burden on inter-market competition as the change is not designed to address any competitive issue, but rather to address order handling behavior in a similar manner to how the Exchange treats orders priced at or above $1.00 while continuing to abide by the above stated principles of intra-market price priority.

Proposed Exchange Rule 2614(c)(2)(i)(A) to re-price to the locking price of a non-displayed orders, including those with a Post Only instruction, that would cross a contra-side is similar to how the Exchange currently reprices orders with a Minimum Execution Quantity instruction pursuant to Exchange Rule 2614(c)(7)(B)(ii). This portion of the proposal simply seeks to provide consistent treatment of similarly situated orders and should not impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be 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 (https://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-PEARL-2025-50 on the subject line.

Paper comments:

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

All submissions should refer to file number SR-PEARL-2025-50. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-PEARL-2025-50 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[58]

Sherry R. Haywood,
Assistant Secretary

[58] 17 CFR 200.30-3(a)(12).

New text is underlined.
Deleted text is in [brackets]

MIAX PEARL, LLC Rules

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Rule 2614. Orders and Order Instructions

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(a) – (b) (No change).

(c) **Order Instructions.**

(1) (No change).

(2) **Post Only**. An order designated as Post Only is a non-routable order that will be ranked and executed on the MIAX Pearl Equities Book pursuant to Exchange Rules 2616 and 2617(a)(4).

(i) An order designated as Post Only will only remove liquidity from the MIAX Pearl Equities Book when[:

(A) the order is for a security priced below $1.00; or

(B)] the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX Pearl Equities Book and subsequently provided liquidity including the applicable fees charged or rebates provided. To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the MIAX Pearl Equities Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange.

<u>(A) Where a non-displayed order designated as Post Only to buy (sell) does not remove liquidity pursuant to paragraph (i) above, and that incoming non-displayed order, if posted at its limit price, would cross a displayed order to sell (buy) resting on the MIAX Pearl Equities Book, the non-displayed order will have a working price equal to the price of the displayed order to sell (buy). Likewise, where a displayed order designated as Post Only to buy (sell) does not remove liquidity pursuant to paragraph (i) above, and that displayed order, if posted at its limit price, would cross a non-displayed order to sell (buy) resting on the MIAX Pearl Equities Book, the non-displayed order will have a working price equal to the price of the displayed order to sell (buy).</u>

(ii) (No change).

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Rule 2617. Order Execution and Routing

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(a) **Execution Against MIAX Pearl Equities Book**. For purposes of this Exchange Rule 2617 any order falling within the parameters of this paragraph shall be referred to as executable. An order will be cancelled back to the User if, based on market conditions, User instructions, applicable Exchange Rules and/or the Act and the rules and regulations thereunder, such order is not executable, cannot be routed to another Trading Center pursuant to paragraph (b) of this Exchange Rule 2617 below and cannot be posted to the MIAX Pearl Equities Book.

(1) – (3) (No change).

(4) **Execution against MIAX Pearl Equities Book**. An incoming order or Aggressing Order shall first attempt to be matched for execution against orders in the MIAX Pearl Equities Book, as described below.

(i) – (ii) (No change).

(iii) Consistent with Exchange Rule 2614, based on User instructions, certain orders are permitted to post and rest on the MIAX Pearl Equities Book at prices that lock or cross contra-side liquidity, provided, however, that the System will never display a locked or crossed market. Subject to sub-paragraph (iv) below, if an Aggressing Order or an incoming order to buy (sell), pursuant to paragraph (i) or (ii) above, would execute upon entry against a resting order to sell (buy) at the same or a worse price as a resting displayed order to buy (sell), the Aggressing Order or incoming order to buy (sell) will be cancelled or posted to the MIAX Pearl Equities Book and ranked in accordance with Exchange Rule 2616.

(iv) [For securities priced equal to or greater than $1.00 per share, i]In the case where a non-displayed order to sell (buy) is posted on the MIAX Pearl Equities Book at a price that locks or crosses a displayed order to buy (sell) pursuant to sub-paragraph (iii) above, an Aggressing Order or an incoming order to buy (sell) described in sub-paragraphs (i) and (ii) above that is a Market Order or a Limit Order priced more aggressively than the order to buy (sell) displayed on the MIAX Pearl Equities Book will execute against the non-displayed order to sell (buy) resting on the MIAX Pearl Equities Book at one-half minimum price variation greater (less) than the price of the resting displayed order to buy (sell). [For bids or offers under $1.00 per share, this sub-paragraph is inapplicable.]

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