

Required fields are shown with yellow backgrounds and asterisks.

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

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

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

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

**Description**

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

MIAX PEARL rule harmonization to MIAX Options

**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 \*  Last Name \*

Title \*

E-mail \*

Telephone \*  Fax

**Signature**

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

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

(Title \*)

Date

By

(Name \*)

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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

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

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

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

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or the “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> the MIAX PEARL, LLC (“MIAX PEARL” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend MIAX PEARL Rules 100, 404, 519C, and to adopt new MIAX PEARL Rule 1018, in order to bring MIAX PEARL Rules up to date with recent changes that have been made to the rules of the Exchange’s affiliate, Miami International Securities Exchange, LLC (“MIAX Options”).

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

(b) Not applicable.

(c) Not applicable.

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

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX PEARL Board of Directors on December 8, 2016. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions and comments on the proposed rule change may be directed to Gregory P. Ziegler, Associate Counsel, (609) 897-1483.

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

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

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

a. Purpose

The Exchange proposes to amend MIAX PEARL Rules 100, 404, 519C, and to adopt MIAX PEARL Rule 1018, in order to bring the MIAX PEARL Rules up to date with the changes that were made to the rules of MIAX Options while MIAX PEARL's Form 1 Application to register as a national securities exchange was pending approval.

Background

MIAX PEARL plans to commence operations as a national securities exchange registered under Section 6 of the Act<sup>3</sup> on February 6, 2017. As described more fully in MIAX PEARL's Form 1 application,<sup>4</sup> the Exchange is an affiliate of MIAX Options. MIAX PEARL Rules, in their current form, were filed as Exhibit B to its Form 1 on August 12, 2016, and at that time, the above mentioned rules, were substantially similar to the rules of the MIAX Options exchange. In the time between when the Exchange filed its Form 1 and the time the Exchange received its approval order, MIAX Options made several changes to its rule book. In order to ensure consistent operation of both MIAX PEARL and MIAX Options through having consistent rules, the Exchange proposes to amend MIAX PEARL Rules as described below.

Series of Option Contracts Open for Trading

The Exchange proposes to expand the Short Term Option Series Program outlined in Rule 404, Interpretations and Policies .02, to allow the listing and trading of SPDR S&P 500 ETF Trust ("SPY") options with Wednesday expirations. These changes would make MIAX

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<sup>3</sup> 15 U.S.C. 78f.

<sup>4</sup> See Securities Exchange Act Release No. 79543 (December 13, 2016), 81 FR 92901 (December 20, 2016) (File No. 10-227) (order approving application of MIAX PEARL, LLC for registration as a national securities exchange.)

PEARL Rule 404 consistent with MIAX Options Rule 404 and are identical to changes made by MIAX Options when it modified its rule.<sup>5</sup> The Exchange further notes that the MIAX Options filing was a competitive filing based on a filing submitted by the BOX Options Exchange, LLC (“BOX”), which was approved by the Commission.<sup>6</sup>

Currently, under the Short Term Option Series Program the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire at the close of business on each of the next five Fridays that are business days, and are not Fridays in which monthly option series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). The Exchange is now proposing to amend MIAX PEARL Rule 404, Interpretations and Policies .02, to permit the listing of SPY options expiring on Wednesdays. Specifically, the Exchange is proposing that it may open for trading on any Tuesday or Wednesday that is a business day, series of SPY options that expire on any Wednesday of the month that is a business day, and is not a Wednesday on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The proposed Wednesday SPY Expiration series would be similar to the current Short Term Options Series, with certain exceptions. The Exchange notes that Wednesday expirations are not a novel a proposition as other option exchanges list and trade Wednesday SPY Expirations.<sup>7</sup>

The Exchange represents that it has an adequate surveillance program in place to detect manipulative trading in Wednesday SPY Expirations in the same way it monitors trading in the

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<sup>5</sup> See Securities Exchange Act Release No. 78772 (September 6, 2016), 81 FR 62784 (September 12, 2016) (SR-MIAX-2016-31).

<sup>6</sup> See Securities Exchange Act Release No. 78668 (August 24, 2016), 81 FR 59696 (August 30, 2016) (order approving SR-BOX-2016-28).

<sup>7</sup> See MIAX Options Rule 404; BOX Rule 5050; and ISE Rule 504.

current Short Term Option Series. Additionally, the Exchange represents that it has the necessary system capacity to support the new options series.

#### Definitions

The Exchange proposes to amend Exchange Rule 100, which sets forth the definition of Short Term Option Series. The definition set forth in Rule 100 is redundant to the terms for Short Term Option Series set forth in Rule 404, Interpretations and Policies .02. As a result, the Exchange believes that amending Rule 100 by including an internal cross reference to Rule 404, Interpretations and Policies .02 and by deleting redundant language would result in a clearer definition and would make the Rulebook more precise. Additionally, this change is identical to changes made by MIAX Options when it modified its rule.<sup>8</sup>

#### Mass Cancellation of Trading Interest

The Exchange also proposes to amend Exchange Rule 519C, Mass Cancellation of Trading Interest, to align the process and procedure of cancelling orders and quotes from the order book to that of MIAX Options. The proposed rule change will amend the first paragraph for clarity and ease of reference and adopt new section (b) to provide that Exchange staff, upon request from a Member,<sup>9</sup> may remove all of the Member's quotations<sup>10</sup> and cancel all of the

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<sup>8</sup> See Securities Exchange Act Release No. 78772 (September 6, 2016), 81 FR 62784 (September 12, 2016) (SR-MIAX-2016-31).

<sup>9</sup> The term "Member" means an individual or organization that is registered with the Exchange pursuant to Chapter II of MIAX PEARL Rules for purposes of trading on the Exchange as an "Electronic Exchange Member" or "Market Maker." Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

<sup>10</sup> The term "quote" or "quotation" means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any. When the term is used in these Rules and a bid or offer is entered by the Market Maker in the option series to which such Market Maker is registered, such order shall, as applicable, constitute a quote or quotation for purposes of these Rules. See Exchange Rule 100.

Member's orders<sup>11</sup> in the System<sup>12</sup> and block new incoming quotations and orders from entering the System. The block will remain in effect until the Member contacts Exchange staff<sup>13</sup> to have the block removed.

The Exchange proposes to add a new heading entitled "Cancel" to the first paragraph, and proposes to identify the first paragraph with the letter "(a)" for clarity and ease of reference. Additionally, the Exchange proposes to make a clarifying change to the wording of the first paragraph. The paragraph currently states that, "[a] Member may cancel all of its quotations and/or all or any subset of its orders [...]." The Exchange proposes to replace the word "cancel" with "remove" and to insert the word "cancel" after "and/or," as this language more accurately describes the actions being performed by the Exchange. Additionally, the Exchange is proposing to insert language indicating that a Member may effect the removal of its quotations and/or the cancellation of its orders, "by firm name or by Market Participant Identifier ("MPID")."<sup>14</sup>

MIAX PEARL currently offers two Membership types, Market Maker ("MM")<sup>15</sup> and Electronic Exchange Member ("EEM").<sup>16</sup> Market Makers self-assign the series for which they

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<sup>11</sup> The term "order" means a firm commitment to buy or sell option contracts. See Exchange Rule 100.

<sup>12</sup> The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>13</sup> The Exchange's Help Desk would receive such communication. The Help Desk is the Exchange's control room consisting of Exchange staff authorized to make certain trading determinations on behalf of the Exchange. The Help Desk shall report to and be supervised by a senior executive officer of the Exchange. See Exchange Rule 100.

<sup>14</sup> The term "MPID" means unique market participant identifier. See Exchange Rule 100.

<sup>15</sup> The term "Market Maker" or "MM" means a Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of MIAX PEARL Rules. See Exchange Rule 100.

<sup>16</sup> The term "Electronic Exchange Member" or "EEM" means the holder of a Trading Permit who is a Member representing as agent Public Customer Orders or Non-Customer

choose to act as a Market Maker<sup>17</sup> and have an obligation to maintain a two-sided market, pursuant to Rule 605(d)(1), in those series in which they register to trade.<sup>18</sup> Exchange Rule 605, Market Maker Quotations, details various requirements associated with a Market Maker's quotes, such as "Size Associated with Quotes", "Firm Quotes", and "Continuous Quotes".<sup>19</sup> A "quote" on the Exchange is defined as, "[...] a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any [...]."<sup>20</sup> Currently, there is not a separate Market Maker quote transaction available on the Exchange. The Exchange's definition of a quote further provides that, "[w]hen the term order is used in these Rules and a bid or offer is entered by the Market Maker in the option series to which such Market Maker is registered, such order shall, as applicable, constitute a quote or quotation for purposes of these Rules."<sup>21</sup>

The proposal would allow a Member to submit a request to remove all of its outstanding quotations, as described above, and cancel all of its open orders and block all new inbound quotations and orders by firm name or Market Participant Identifier ("MPID"). The form of such requests includes, but is not limited to, email or a phone call from authorized individuals. The removal of quotes and the cancellation of orders as described herein does not disconnect Members from the Exchange's System.

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Orders on the Exchange and those non-Market Maker Members conducting proprietary trading. Electronic Exchange Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

<sup>17</sup> See Exchange Rule 602.

<sup>18</sup> See Exchange Rule 604(a)(1).

<sup>19</sup> See Exchange Rule 605.

<sup>20</sup> See Exchange Rule 100.

<sup>21</sup> See Exchange Rule 100.



The proposed changes would make MIAX PEARL Rule 519C, Mass Cancellation of Trading Interest, consistent with MIAX Options Rule 519C, Mass Cancellation of Trading Interest, and are identical to changes made by MIAX Options when it modified its rule.<sup>22</sup>

Expedited Suspension Proceeding

MIAX PEARL incorporates certain chapters of the MIAX Options Rulebook into its rulebook in their entirety by reference. Specifically, MIAX Options Rulebook, Chapter III, Business Conduct, is incorporated by reference, and contains Rule 322, Disruptive Quoting and Trading Activity Prohibited, which was adopted by MIAX Options to prohibit disruptive quoting and trading on MIAX Options.<sup>23</sup> In connection with this rule, MIAX Options adopted new MIAX Options Rule 1018, Expedited Suspension Proceeding, to permit MIAX Options to take prompt action to suspend Members or their clients that violate MIAX Options Rule 322.<sup>24</sup> The Exchange now proposes to adopt new Rule 1018, Expedited Suspension Proceeding, to align the rules of MIAX Options and MIAX PEARL.

The Exchange proposes to adopt new Rule 1018, to set forth procedures for issuing suspension orders, immediately prohibiting a Member from conducting continued disruptive quoting and trading activity on the Exchange. Importantly, these procedures would also provide the Exchange the authority to order a Member to cease and desist from providing access to the Exchange to a client of the Member that is conducting disruptive quoting and trading activity in violation of Rule 322. The Exchange notes that the proposed change would make MIAX

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<sup>22</sup> See Securities Exchange Act Release Nos. 78023 (June 8, 2016), 81 FR 38751 (June 14, 2016) (SR-MIAX-2016-14) (adoption of Rule 519C); 78974 (September 29, 2016), 81 FR 69090 (October 5, 2016) (SR-MIAX-2016-34) (amendment of Rule 519C).

<sup>23</sup> See MIAX Options Rule 322.

<sup>24</sup> See MIAX Options Rule 1018.

PEARL Rule 1018 consistent with MIAX Options Rule 1018 and is identical to the rule text adopted by MIAX Options when it adopted its rule.<sup>25</sup>

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>26</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>27</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange is proposing to amend Rule 404, Series of Option Contracts Open for Trading. The Exchange believes the Short Term Option Series Program has been successful to date and that Wednesday SPY Expirations simply expand the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur throughout the month in the same way that the Short Term Option Series Program has expanded the landscape of hedging. Similarly, the Exchange believes Wednesday SPY Expirations should create greater trading and hedging opportunities and flexibility, and provide customers with the ability to more closely tailor their investment objectives. The Exchange believes that allowing Wednesday SPY Expirations and monthly SPY expirations in the same week would benefit

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<sup>25</sup> See Securities Exchange Act Release No. 79182 (October 28, 2016), 81 FR 76639 (November 3, 2016) (SR-MIAX-2016-40).

<sup>26</sup> 15 U.S.C. 78f(b).

<sup>27</sup> 15 U.S.C. 78f(b)(5).

investors and minimize investor confusion by providing Wednesday SPY Expirations in a continuous and uniform manner.

The Exchange is also proposing to amend Rule 100, Definitions, which sets forth the definition of Short Term Option Series. The definition set forth in current Rule 100 is redundant to the terms for Short Term Option Series set forth in Rule 404, Interpretations and Policies .02. As a result, the Exchange believes that amending Rule 100 by including an internal cross reference to Rule 404, Interpretations and Policies .02 and deleting redundant language would result in a clearer definition and would make the Rulebook more precise and user friendly. Clarity and transparency of the Exchange's rules benefits investors and the public by eliminating the potential for confusion.

The Exchange is also proposing to amend Rule 519C, Mass Cancellation of Trading Interest, to add another risk protection tool for Members and provide that the Exchange may take action on their behalf. The proposed rule protects investors and the public interest by increasing the number of risk protection tools available to Members on the Exchange. The Exchange is also making minor non-substantive amendments to the rule which organize the rule text for clarity and clarifies the actions being performed by the Exchange, and are intended to remove impediments to and perfect the mechanisms of a free and open market by adding precision and ease of reference to the Exchange's rules, thus promoting transparency and clarity for Exchange Members.

The Exchange is also proposing to adopt Rule 1018, Expedited Suspension Proceeding, which will provide the Exchange a mechanism to promptly initiate expedited suspension proceedings in the event the Exchange believes that it has sufficient proof that a violation of Rule 322 has occurred and is ongoing. The Exchange believes that the proposal is consistent with

Sections 6(b)(1) and 6(b)(6) of the Act,<sup>28</sup> which require that the rules of an exchange enforce compliance with, and provide appropriate discipline for, violations of the Commission and Exchange rules. The Exchange also believes that the proposal is consistent with the public interest, and the protection of investors, or otherwise in furtherance of the purposes of the Act because the proposal helps to strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities as a self-regulatory organization in cases where awaiting the conclusion of a full disciplinary proceeding is unsuitable in view of the potential harm to Members and their customers.

Also, the Exchange notes that if this type of conduct is allowed to continue on the Exchange, the Exchange's reputation could be harmed because it may appear to the public that the Exchange is not acting to address the behavior. The expedited process would enable the Exchange to address the behavior with greater speed.

The Exchange notes that it has defined the prohibited disruptive quoting and trading activity by modifying the traditional definitions of layering<sup>29</sup> and spoofing<sup>30</sup> to eliminate an express intent element that would not be proven on an expedited basis and would instead require a thorough investigation into the activity. As noted, the Exchange believes it is necessary for the

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<sup>28</sup> 15 U.S.C. 78f(b)(1) and 78f(b)(6).

<sup>29</sup> "Layering" is a form of market manipulation in which multiple, non-bona fide limit orders are entered on one side of the market at various price levels in order to create the appearance of a change in the levels of supply and demand, thereby artificially moving the price of a security. An order is then executed on the opposite side of the market at the artificially created price, and the non-bona fide orders are cancelled.

<sup>30</sup> "Spoofing" is a form of market manipulation that involves the market manipulator placing non-bona fide orders that are intended to trigger some type of market movement and/or response from other market participants, from which the market manipulator might benefit by trading bona fide orders.

protection of investors to make such modifications in order to adopt an expedited process rather than allowing disruptive quoting and trading activity to occur for several years.

The Exchange believes that this proposal will provide the Exchange with the necessary means to enforce against such behavior in an expedited manner while providing Members with the necessary due process. The Exchange believes that its proposal is consistent with the Act because it provides the Exchange with the ability to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest from such ongoing behavior. Further, the Exchange believes that adopting a rule applicable to market participants is consistent with the Act because the Exchange believes that this type of behavior should be prohibited for all Members. While this behavior may not be as prevalent on the options markets today, the Exchange does not believe the possibility of such behavior in the future would not have the same market impact and thereby warrant an expedited process.

The Exchange believes that the proposal is consistent Section 6(b)(7) of the Act,<sup>31</sup> which requires that the rules of an exchange “provide a fair procedure for the disciplining of members and persons associated with members... and the prohibition or limitation by the exchange of any person with respect to access to services offered by the exchange or a member thereof.” Finally, the Exchange believes the proposal is consistent with Sections 6(d)(1) and 6(d)(2) of the Act,<sup>32</sup> which require that the rules of an exchange with respect to a disciplinary proceeding or proceeding that would limit or prohibit access to or membership in the exchange require the exchange to: provide adequate and specific notice of the charges brought against a member or person associated with a member, provide an opportunity to defend against such charges, keep a

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<sup>31</sup> 15 U.S.C. 78f(b)(7).

<sup>32</sup> 15 U.S.C. 78f(d)(1) and 78f(d)(2).

record, and provide details regarding the findings and applicable sanctions in the event a determination to impose a disciplinary sanction is made. The Exchange believes that each of these requirements is addressed by the notice and due process provisions included within Rule 1018. Importantly, the Exchange will use the authority only in clear and egregious cases when necessary to protect investors, other Members and the Exchange, and in such cases, the Respondent will be afforded due process in connection with the suspension proceedings.

The Exchange believes the proposal removes impediments to and perfects the mechanisms of a free and open market. Specifically, the Exchange believes that although MIAX PEARL rules may, in certain instances, intentionally differ from MIAX Options rules, the proposed changes will promote uniformity with MIAX Options with respect to rules that are intended to be identical but which were not modified while MIAX PEARL's Form 1 application was pending approval. The Exchange believes that it will reduce the potential for confusion by its members that are also members of MIAX Options if it commences operations with only those differences between MIAX PEARL and the MIAX Options Exchange rules that are intentional.

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

The Exchange does not believe that the proposed rule change imposes any burden on 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)**

Pursuant to Section 19(b)(3)(A) of the Act<sup>33</sup> and Rule 19b-4(f)(6)<sup>34</sup> thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>35</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)<sup>36</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. As described above, the Exchange's proposed rule changes are based on substantively identical rules of MIAX Options. Accordingly, because the proposed rule changes are based on the recently amended rules of another Self-Regulatory Organization and thus do not introduce any new regulatory issues, the Exchange has filed this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>37</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>38</sup>

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<sup>33</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>34</sup> 17 CFR 240.19b-4(f)(6).

<sup>35</sup> 17 CFR 240.19b-4(f)(6).

<sup>36</sup> 17 CFR 240.19b-4(f)(6).

<sup>37</sup> 17 CFR 240.19b-4.

The Exchange respectfully requests that the Commission waive the 30-day pre-operative delay pursuant to Section 19(b)(3)(A) of the Act<sup>39</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>40</sup> Waiver of this requirement, specified in Rule 19b-4(f)(6),<sup>41</sup> will allow the Exchange to commence operations as a national exchange with rules substantively identical to the rules of MIAX Options. Based on the foregoing, the Exchange believes that its proposal should become immediately effective and requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>42</sup> Waiver of this requirement is consistent with the protection of investors and the public interest for the reasons described above. If such waiver is granted, the proposed rules will become operative as of February 6, 2017, which is the date the Exchange intends to commence operations.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

The proposed rule changes are based on MIAX Options Rules 100, 404, 519C, and 1018, which were recently amended or adopted by MIAX Options in a manner consistent with the changes proposed in this rule change proposal.

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<sup>38</sup> 17 CFR 240.19b-4(f)(6).

<sup>39</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>40</sup> 17 CFR 240.19b-4(f)(6).

<sup>41</sup> 17 CFR 240.19b-4(f)(6).

<sup>42</sup> 17 CFR 240.19b-4(f)(6)(iii).



**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-2017-03)

January \_\_, 2017

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC to Amend MIAX PEARL Rules 100, 404, 519C and Adopt MIAX PEARL 1018

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 24, 2017, MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend MIAX PEARL Rules 100, 404, 519C, and to adopt new MIAX PEARL Rule 1018, in order to bring MIAX PEARL Rules up to date with recent changes that have been made to the rules of the Exchange’s affiliate, Miami International Securities Exchange, LLC (“MIAX Options”).

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/pearl> at MIAX PEARL’s principal office, and at the Commission’s Public Reference Room.

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

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend MIAX PEARL Rules 100, 404, 519C, and to adopt MIAX PEARL Rule 1018, in order to bring the MIAX PEARL Rules up to date with the changes that were made to the rules of MIAX Options while MIAX PEARL's Form 1 Application to register as a national securities exchange was pending approval.

Background

MIAX PEARL plans to commence operations as a national securities exchange registered under Section 6 of the Act<sup>3</sup> on February 6, 2017. As described more fully in MIAX PEARL's Form 1 application,<sup>4</sup> the Exchange is an affiliate of MIAX Options. MIAX PEARL Rules, in their current form, were filed as Exhibit B to its Form 1 on August 12, 2016, and at that time, the above mentioned rules, were substantially similar to the rules of the MIAX Options exchange. In the time between when the Exchange filed its Form 1 and the time the Exchange received its approval order, MIAX Options made several changes to its rule book. In order to ensure

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<sup>3</sup> 15 U.S.C. 78f.

<sup>4</sup> See Securities Exchange Act Release No. 79543 (December 13, 2016), 81 FR 92901 (December 20, 2016) (File No. 10-227) (order approving application of MIAX PEARL, LLC for registration as a national securities exchange.)

consistent operation of both MIAX PEARL and MIAX Options through having consistent rules, the Exchange proposes to amend MIAX PEARL Rules as described below.

Series of Option Contracts Open for Trading

The Exchange proposes to expand the Short Term Option Series Program outlined in Rule 404, Interpretations and Policies .02, to allow the listing and trading of SPDR S&P 500 ETF Trust (“SPY”) options with Wednesday expirations. These changes would make MIAX PEARL Rule 404 consistent with MIAX Options Rule 404 and are identical to changes made by MIAX Options when it modified its rule.<sup>5</sup> The Exchange further notes that the MIAX Options filing was a competitive filing based on a filing submitted by the BOX Options Exchange, LLC (“BOX”), which was approved by the Commission.<sup>6</sup>

Currently, under the Short Term Option Series Program the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire at the close of business on each of the next five Fridays that are business days, and are not Fridays in which monthly option series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). The Exchange is now proposing to amend MIAX PEARL Rule 404, Interpretations and Policies .02, to permit the listing of SPY options expiring on Wednesdays. Specifically, the Exchange is proposing that it may open for trading on any Tuesday or Wednesday that is a business day, series of SPY options that expire on any Wednesday of the month that is a business day, and is not a Wednesday on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The proposed Wednesday SPY Expiration series would be similar to the current Short Term Options Series, with certain

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<sup>5</sup> See Securities Exchange Act Release No. 78772 (September 6, 2016), 81 FR 62784 (September 12, 2016) (SR-MIAX-2016-31).

<sup>6</sup> See Securities Exchange Act Release No. 78668 (August 24, 2016), 81 FR 59696 (August 30, 2016) (order approving SR-BOX-2016-28).

exceptions. The Exchange notes that Wednesday expirations are not a novel a proposition as other option exchanges list and trade Wednesday SPY Expirations.<sup>7</sup>

The Exchange represents that it has an adequate surveillance program in place to detect manipulative trading in Wednesday SPY Expirations in the same way it monitors trading in the current Short Term Option Series. Additionally, the Exchange represents that it has the necessary system capacity to support the new options series.

#### Definitions

The Exchange proposes to amend Exchange Rule 100, which sets forth the definition of Short Term Option Series. The definition set forth in Rule 100 is redundant to the terms for Short Term Option Series set forth in Rule 404, Interpretations and Policies .02. As a result, the Exchange believes that amending Rule 100 by including an internal cross reference to Rule 404, Interpretations and Policies .02 and by deleting redundant language would result in a clearer definition and would make the Rulebook more precise. Additionally, this change is identical to changes made by MIAX Options when it modified its rule.<sup>8</sup>

#### Mass Cancellation of Trading Interest

The Exchange also proposes to amend Exchange Rule 519C, Mass Cancellation of Trading Interest, to align the process and procedure of cancelling orders and quotes from the order book to that of MIAX Options. The proposed rule change will amend the first paragraph for clarity and ease of reference and adopt new section (b) to provide that Exchange staff, upon request from a Member,<sup>9</sup> may remove all of the Member's quotations<sup>10</sup> and cancel all of the

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<sup>7</sup> See MIAX Options Rule 404; BOX Rule 5050; and ISE Rule 504.

<sup>8</sup> See Securities Exchange Act Release No. 78772 (September 6, 2016), 81 FR 62784 (September 12, 2016) (SR-MIAX-2016-31).

<sup>9</sup> The term "Member" means an individual or organization that is registered with the Exchange pursuant to Chapter II of MIAX PEARL Rules for purposes of trading on the

Member's orders<sup>11</sup> in the System<sup>12</sup> and block new incoming quotations and orders from entering the System. The block will remain in effect until the Member contacts Exchange staff<sup>13</sup> to have the block removed.

The Exchange proposes to add a new heading entitled "Cancel" to the first paragraph, and proposes to identify the first paragraph with the letter "(a)" for clarity and ease of reference. Additionally, the Exchange proposes to make a clarifying change to the wording of the first paragraph. The paragraph currently states that, "[a] Member may cancel all of its quotations and/or all or any subset of its orders [...]." The Exchange proposes to replace the word "cancel" with "remove" and to insert the word "cancel" after "and/or," as this language more accurately describes the actions being performed by the Exchange. Additionally, the Exchange is proposing to insert language indicating that a Member may effect the removal of its quotations and/or the cancellation of its orders, "by firm name or by Market Participant Identifier ("MPID")."<sup>14</sup>

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Exchange as an "Electronic Exchange Member" or "Market Maker." Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

<sup>10</sup> The term "quote" or "quotation" means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any. When the term is used in these Rules and a bid or offer is entered by the Market Maker in the option series to which such Market Maker is registered, such order shall, as applicable, constitute a quote or quotation for purposes of these Rules. See Exchange Rule 100.

<sup>11</sup> The term "order" means a firm commitment to buy or sell option contracts. See Exchange Rule 100.

<sup>12</sup> The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>13</sup> The Exchange's Help Desk would receive such communication. The Help Desk is the Exchange's control room consisting of Exchange staff authorized to make certain trading determinations on behalf of the Exchange. The Help Desk shall report to and be supervised by a senior executive officer of the Exchange. See Exchange Rule 100.

<sup>14</sup> The term "MPID" means unique market participant identifier. See Exchange Rule 100.

MIAX PEARL currently offers two Membership types, Market Maker (“MM”)<sup>15</sup> and Electronic Exchange Member (“EEM”).<sup>16</sup> Market Makers self-assign the series for which they choose to act as a Market Maker<sup>17</sup> and have an obligation to maintain a two-sided market, pursuant to Rule 605(d)(1), in those series in which they register to trade.<sup>18</sup> Exchange Rule 605, Market Maker Quotations, details various requirements associated with a Market Maker’s quotes, such as “Size Associated with Quotes”, “Firm Quotes”, and “Continuous Quotes”.<sup>19</sup> A “quote” on the Exchange is defined as, “[...] a bid or offer entered by a Market Maker as a firm order that updates the Market Maker’s previous bid or offer, if any [...]”.<sup>20</sup> Currently, there is not a separate Market Maker quote transaction available on the Exchange. The Exchange’s definition of a quote further provides that, “[w]hen the term order is used in these Rules and a bid or offer is entered by the Market Maker in the option series to which such Market Maker is registered, such order shall, as applicable, constitute a quote or quotation for purposes of these Rules.”<sup>21</sup>

The proposal would allow a Member to submit a request to remove all of its outstanding quotations, as described above, and cancel all of its open orders and block all new inbound

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<sup>15</sup> The term “Market Maker” or “MM” means a Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of MIAX PEARL Rules. See Exchange Rule 100.

<sup>16</sup> The term “Electronic Exchange Member” or “EEM” means the holder of a Trading Permit who is a Member representing as agent Public Customer Orders or Non-Customer Orders on the Exchange and those non-Market Maker Members conducting proprietary trading. Electronic Exchange Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

<sup>17</sup> See Exchange Rule 602.

<sup>18</sup> See Exchange Rule 604(a)(1).

<sup>19</sup> See Exchange Rule 605.

<sup>20</sup> See Exchange Rule 100.

<sup>21</sup> See Exchange Rule 100.

quotations and orders by firm name or Market Participant Identifier (“MPID”). The form of such requests includes, but is not limited to, email or a phone call from authorized individuals. The removal of quotes and the cancellation of orders as described herein does not disconnect Members from the Exchange’s System.

The proposed changes would make MIAX PEARL Rule 519C, Mass Cancellation of Trading Interest, consistent with MIAX Options Rule 519C, Mass Cancellation of Trading Interest, and are identical to changes made by MIAX Options when it modified its rule.<sup>22</sup>

#### Expedited Suspension Proceeding

MIAX PEARL incorporates certain chapters of the MIAX Options Rulebook into its rulebook in their entirety by reference. Specifically, MIAX Options Rulebook, Chapter III, Business Conduct, is incorporated by reference, and contains Rule 322, Disruptive Quoting and Trading Activity Prohibited, which was adopted by MIAX Options to prohibit disruptive quoting and trading on MIAX Options.<sup>23</sup> In connection with this rule, MIAX Options adopted new MIAX Options Rule 1018, Expedited Suspension Proceeding, to permit MIAX Options to take prompt action to suspend Members or their clients that violate MIAX Options Rule 322.<sup>24</sup> The Exchange now proposes to adopt new Rule 1018, Expedited Suspension Proceeding, to align the rules of MIAX Options and MIAX PEARL.

The Exchange proposes to adopt new Rule 1018, to set forth procedures for issuing suspension orders, immediately prohibiting a Member from conducting continued disruptive quoting and trading activity on the Exchange. Importantly, these procedures would also provide

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<sup>22</sup> See Securities Exchange Act Release Nos. 78023 (June 8, 2016), 81 FR 38751 (June 14, 2016) (SR-MIAX-2016-14) (adoption of Rule 519C); 78974 (September 29, 2016), 81 FR 69090 (October 5, 2016) (SR-MIAX-2016-34) (amendment of Rule 519C).

<sup>23</sup> See MIAX Options Rule 322.

<sup>24</sup> See MIAX Options Rule 1018.



the Exchange the authority to order a Member to cease and desist from providing access to the Exchange to a client of the Member that is conducting disruptive quoting and trading activity in violation of Rule 322. The Exchange notes that the proposed change would make MIAX PEARL Rule 1018 consistent with MIAX Options Rule 1018 and is identical to the rule text adopted by MIAX Options when it adopted its rule.<sup>25</sup>

## 2. Statutory Basis

MIAX PEARL believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>26</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>27</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange is proposing to amend Rule 404, Series of Option Contracts Open for Trading. The Exchange believes the Short Term Option Series Program has been successful to date and that Wednesday SPY Expirations simply expand the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur throughout the month in the same way that the Short Term Option Series Program has expanded the landscape of hedging. Similarly, the Exchange believes Wednesday SPY Expirations should create greater trading and hedging opportunities and flexibility, and provide customers with the ability to more closely tailor their investment objectives. The Exchange believes that allowing

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<sup>25</sup> See Securities Exchange Act Release No. 79182 (October 28, 2016), 81 FR 76639 (November 3, 2016) (SR-MIAX-2016-40).

<sup>26</sup> 15 U.S.C. 78f(b).

<sup>27</sup> 15 U.S.C. 78f(b)(5).

Wednesday SPY Expirations and monthly SPY expirations in the same week would benefit investors and minimize investor confusion by providing Wednesday SPY Expirations in a continuous and uniform manner.

The Exchange is also proposing to amend Rule 100, Definitions, which sets forth the definition of Short Term Option Series. The definition set forth in current Rule 100 is redundant to the terms for Short Term Option Series set forth in Rule 404, Interpretations and Policies .02. As a result, the Exchange believes that amending Rule 100 by including an internal cross reference to Rule 404, Interpretations and Policies .02 and deleting redundant language would result in a clearer definition and would make the Rulebook more precise and user friendly. Clarity and transparency of the Exchange's rules benefits investors and the public by eliminating the potential for confusion.

The Exchange is also proposing to amend Rule 519C, Mass Cancellation of Trading Interest, to add another risk protection tool for Members and provide that the Exchange may take action on their behalf. The proposed rule protects investors and the public interest by increasing the number of risk protection tools available to Members on the Exchange. The Exchange is also making minor non-substantive amendments to the rule which organize the rule text for clarity and clarifies the actions being performed by the Exchange, and are intended to remove impediments to and perfect the mechanisms of a free and open market by adding precision and ease of reference to the Exchange's rules, thus promoting transparency and clarity for Exchange Members.

The Exchange is also proposing to adopt Rule 1018, Expedited Suspension Proceeding, which will provide the Exchange a mechanism to promptly initiate expedited suspension proceedings in the event the Exchange believes that it has sufficient proof that a violation of Rule 322 has occurred and is ongoing. The Exchange believes that the proposal is consistent with

Sections 6(b)(1) and 6(b)(6) of the Act,<sup>28</sup> which require that the rules of an exchange enforce compliance with, and provide appropriate discipline for, violations of the Commission and Exchange rules. The Exchange also believes that the proposal is consistent with the public interest, and the protection of investors, or otherwise in furtherance of the purposes of the Act because the proposal helps to strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities as a self-regulatory organization in cases where awaiting the conclusion of a full disciplinary proceeding is unsuitable in view of the potential harm to Members and their customers.

Also, the Exchange notes that if this type of conduct is allowed to continue on the Exchange, the Exchange's reputation could be harmed because it may appear to the public that the Exchange is not acting to address the behavior. The expedited process would enable the Exchange to address the behavior with greater speed.

The Exchange notes that it has defined the prohibited disruptive quoting and trading activity by modifying the traditional definitions of layering<sup>29</sup> and spoofing<sup>30</sup> to eliminate an express intent element that would not be proven on an expedited basis and would instead require a thorough investigation into the activity. As noted, the Exchange believes it is necessary for the protection of investors to make such modifications in order to adopt an expedited process rather than allowing disruptive quoting and trading activity to occur for several years.

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<sup>28</sup> 15 U.S.C. 78f(b)(1) and 78f(b)(6).

<sup>29</sup> "Layering" is a form of market manipulation in which multiple, non-bona fide limit orders are entered on one side of the market at various price levels in order to create the appearance of a change in the levels of supply and demand, thereby artificially moving the price of a security. An order is then executed on the opposite side of the market at the artificially created price, and the non-bona fide orders are cancelled.

<sup>30</sup> "Spoofing" is a form of market manipulation that involves the market manipulator placing non-bona fide orders that are intended to trigger some type of market movement and/or response from other market participants, from which the market manipulator might benefit by trading bona fide orders.

The Exchange believes that this proposal will provide the Exchange with the necessary means to enforce against such behavior in an expedited manner while providing Members with the necessary due process. The Exchange believes that its proposal is consistent with the Act because it provides the Exchange with the ability to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest from such ongoing behavior. Further, the Exchange believes that adopting a rule applicable to market participants is consistent with the Act because the Exchange believes that this type of behavior should be prohibited for all Members. While this behavior may not be as prevalent on the options markets today, the Exchange does not believe the possibility of such behavior in the future would not have the same market impact and thereby warrant an expedited process.

The Exchange believes that the proposal is consistent Section 6(b)(7) of the Act,<sup>31</sup> which requires that the rules of an exchange “provide a fair procedure for the disciplining of members and persons associated with members... and the prohibition or limitation by the exchange of any person with respect to access to services offered by the exchange or a member thereof.” Finally, the Exchange believes the proposal is consistent with Sections 6(d)(1) and 6(d)(2) of the Act,<sup>32</sup> which require that the rules of an exchange with respect to a disciplinary proceeding or proceeding that would limit or prohibit access to or membership in the exchange require the exchange to: provide adequate and specific notice of the charges brought against a member or person associated with a member, provide an opportunity to defend against such charges, keep a record, and provide details regarding the findings and applicable sanctions in the event a determination to impose a disciplinary sanction is made. The Exchange believes that each of

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<sup>31</sup> 15 U.S.C. 78f(b)(7).

<sup>32</sup> 15 U.S.C. 78f(d)(1) and 78f(d)(2).

these requirements is addressed by the notice and due process provisions included within Rule 1018. Importantly, the Exchange will use the authority only in clear and egregious cases when necessary to protect investors, other Members and the Exchange, and in such cases, the Respondent will be afforded due process in connection with the suspension proceedings.

The Exchange believes the proposal removes impediments to and perfects the mechanisms of a free and open market. Specifically, the Exchange believes that although MIAX PEARL rules may, in certain instances, intentionally differ from MIAX Options rules, the proposed changes will promote uniformity with MIAX Options with respect to rules that are intended to be identical but which were not modified while MIAX PEARL's Form 1 application was pending approval. The Exchange believes that it will reduce the potential for confusion by its members that are also members of MIAX Options if it commences operations with only those differences between MIAX PEARL and the MIAX Options Exchange rules that are intentional.

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.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the

Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>33</sup> and Rule 19b-4(f)(6)<sup>34</sup> thereunder.

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

#### IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or
- Send an e-mail [to rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-PEARL-2017-03 on the subject line.

##### Paper comments:

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

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<sup>33</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>34</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

All submissions should refer to File Number SR-PEARL-2017-03. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-PEARL-2017-03 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

Brent J. Fields  
Secretary

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<sup>35</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**MIAX PEARL, LLC**

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**Rule 100. Definitions**

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**Short Term Option Series**

The term “**Short Term Option Series**” is a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading pursuant to the Short Term Option Series Program provisions of Rule 404, Interpretations and Policies .02.[on any Friday that is a business day and that expires on the next Friday that is a business day. If a Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Friday.]

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**Rule 404. Series of Option Contracts Open for Trading**

(a) – (g) No change.

**Interpretations and Policies:**

.01 No change.

.02 **Short Term Option Series Program.** After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). The Exchange may have no more than a total of five Short Term Option Expiration Dates. Wednesday SPY Expirations (described in the paragraph below) are not included as part of this count. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on [the] a Friday [of the following business week], the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.

Wednesday SPY Expirations.

The Exchange may open for trading on any Tuesday or Wednesday that is a business day (“Wednesday SPY Expiration Opening Date”) series of options on the SPDR S&P 500 ETF Trust (“SPY”) that expire at the close of business on each of the next five Wednesdays that are



business days and are not Wednesdays on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The Exchange may have no more than a total of five Wednesday SPY Expirations. Non-Wednesday SPY Expirations (described in the paragraph above) are not included as part of this count. If the Exchange is not open for business on the respective Tuesday or Wednesday, the Wednesday SPY Expiration Opening Date will be the first business day immediately prior to that respective Tuesday or Wednesday. Similarly, if the Exchange is not open for business on a Wednesday, the expiration date for a Wednesday SPY Expiration will be the first business day immediately prior to that Wednesday. References to “Short Term Option Series” below shall be read to include “Wednesday SPY Expirations,” except where indicated otherwise.

Regarding Short Term Option Series:

(a) No change.

(b) **Expiration.** No Short Term Option Series (excluding Wednesday SPY Expirations) may expire in the same week in which monthly option series on the same class expires, [or]and, in the case of Quarterly Options Series, no Short Term Option Series may expire on an expiration that coincides with an expiration of Quarterly Options Series.

(c) – (e) No change.

.03 – .10 No change.

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#### **Rule 519C. Mass Cancellation of Trading Interest**

**(a) Cancel.** A Member may [cancel]remove all of its quotations and/or cancel all or any subset of its orders in the System, by firm name or by Market Participant Identifier (“MPID”), by requesting the Exchange staff to effect such cancellations.

**(b) Cancel and Block.** A Member may request Exchange staff to (i) remove all of its quotations and cancel all of its orders in the System and (ii) block all new inbound quotations and orders, by firm name or by MPID. The block will remain in effect until the Member requests Exchange staff to remove the block.

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#### **Rule 1018. Expedited Suspension Proceeding**

**(a) Initiation of Proceeding.**

(1) **Scope of Authority.** With the prior written authorization of the Chief Regulatory Officer (“CRO”) or such other senior officers as the CRO may designate, the Exchange may

initiate an expedited suspension proceeding with respect to alleged violations of Rule 322 (Disruptive Quoting and Trading Activity Prohibited).

(2) **Service of Notice.** The Exchange shall initiate the proceeding by serving a notice on a Member or associated person of a Member (hereinafter “Respondent”). The Exchange shall serve the notice by personal service or overnight commercial courier. The notice shall be effective upon service.

(3) **Content of Notice.** The notice shall state whether the Exchange is requesting the Respondent to be required to take action or to refrain from taking action. The notice shall be accompanied by:

(i) a declaration of facts, signed by a person with knowledge of the facts contained therein, that specifies the acts that constitute the alleged violation; and

(ii) a proposed order that contains the required elements of a suspension order (except the date and hour of the order’s issuance), which are set forth in sub-paragraph (d) (2) of this Rule.

**(b) Appointment of Hearing Panel and Panel Members.**

(1) As soon as practicable after the Exchange initiates a suspension proceeding, a Hearing Panel shall be assigned in accordance with paragraph (a) of Rule 1006.

(2) If at any time a Panel Member determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, or if a Party files a motion to disqualify a Panel Member, the recusal and disqualification proceeding shall be conducted in accordance with Rule 1006(a)(3), except that:

(i) a motion seeking disqualification of a Panel Member must be filed no later than 5 days after the announcement of the Hearing Panel; and

(ii) the Exchange may file a brief in opposition to the Respondent’s motion no later than 5 days after service thereof.

**(c) Hearing.**

(1) **When Held.** The hearing shall be held not later than 15 days after service of the notice initiating the suspension proceeding, unless otherwise extended by the Chairman of the Hearing Panel with the consent of the Parties for good cause shown. If a Panel Member is recused or disqualified, the hearing shall be held not later than five days after a replacement Panel Member is appointed.

(2) **Service of Notice of Hearing.** A notice of date, time, and place of the hearing shall be served on the Parties not later than seven days before the hearing, unless otherwise ordered by

the Chairman of the Hearing Panel. Service shall be made by personal service or overnight commercial courier. The notice shall be effective upon service.

(3) **Authority of Panel Members.** A Panel Member shall have authority to do all things necessary and appropriate to discharge his or her duties as set forth in Rule 1006.

(4) **Witnesses.** A person who is subject to the jurisdiction of the Exchange shall testify under oath or affirmation. The oath or affirmation shall be administered by a court reporter or a notary public.

(5) **Additional Information.** At any time during its consideration, the Hearing Panel may direct a Party to submit additional information. Any additional information submitted shall be provided to all Parties at least one day before the Hearing Panel renders its decision.

(6) **Transcript.** The hearing shall be recorded by a court reporter and a written transcript thereof shall be prepared. A transcript of the hearing shall be available to the Parties for purchase from the court reporter at prescribed rates. A witness may purchase a copy of the transcript of his or her own testimony from the court reporter at prescribed rates. Proposed corrections to the transcript may be submitted by affidavit to the Hearing Panel within a reasonable time determined by the Hearing Panel. Upon notice to all the Parties to the proceeding, the Hearing Panel may order corrections to the transcript as requested or sua sponte.

(7) **Record and Evidence Not Admitted.** The record shall consist of the notice initiating the proceeding, the declaration, and the proposed order described in sub-paragraph (a)(3) above; the transcript of the hearing; all evidence considered by the Hearing Panel; and any other document or item accepted into the record by the Hearing Panel. The Exchange shall be the custodian of the record. Proffered evidence that is not accepted into the record by the Hearing Panel shall be retained by the custodian of the record until the date when the Exchange's decision becomes final or, if applicable, upon the conclusion of any review by the SEC or federal courts.

(8) **Failure to Appear at a Hearing.** If a Respondent fails to appear at a hearing for which it has notice, the allegations in the notice and accompanying declaration may be deemed admitted, and the Hearing Panel may issue a suspension order without further proceedings. If the Exchange fails to appear at a hearing for which it has notice, the Hearing Panel may order that the suspension proceeding be dismissed.

(d) **Issuance of Suspension Order by Hearing Panel.**

(1) **Basis for Issuance.** The Hearing Panel shall issue a written decision stating whether a suspension order shall be imposed. The Hearing Panel shall issue the decision not later than ten days after receipt of the hearing transcript, unless otherwise extended by the Chairman of the Hearing Panel with the consent of the Parties for good cause shown. A suspension order shall be imposed if the Hearing Panel finds:

(i) by a preponderance of evidence that the alleged violation specified in the notice has occurred; and

(ii) that the violative conduct or continuation thereof is likely to result in significant market disruption or other significant harm to investors.

**(2) Content, Scope, and Form of Order.** A suspension order shall:

(i) be limited to: (1) ordering a Respondent to cease and desist from violating Rule 322, and/or (2) ordering a Respondent to cease and desist from providing access to the Exchange to a client of Respondent that is causing violations of Rule 322;

(ii) set forth the alleged violation and the significant market disruption or other significant harm to investors that is likely to result without the issuance of an order;

(iii) describe in reasonable detail the act or acts the Respondent is to take or refrain from taking and to suspend the Respondent unless and until such action is taken or refrained from; and

(iv) include the date and hour of its issuance.

**(3) Duration of Order.** A suspension order shall remain effective and enforceable unless modified, set aside, limited, or revoked pursuant to paragraph (e), below.

**(4) Service.** The Hearing Panel's decision and any suspension order shall be served by personal service or overnight commercial courier. The suspension order shall be effective upon service.

**(e) Review by Hearing Panel.** At any time after the Respondent is served with a suspension order, a Party may apply to the Hearing Panel to have the order modified, set aside, limited, or revoked. The application shall set forth with specificity the facts that support the request. The Hearing Panel shall respond to the request in writing within ten days after receipt of the request, unless otherwise extended by the Chairman of the Hearing Panel with the consent of the Parties for good cause shown. The Hearing Panel's response shall be served on the Respondent via personal service or overnight commercial courier. The filing of an application under this Rule shall not stay the effectiveness of the suspension order.

**(f) Application to SEC for Review.** Sanctions imposed pursuant to this Rule constitute final and immediately effective disciplinary sanctions imposed by the Exchange. The right to have any action under this Rule reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of a suspension order unless the SEC otherwise orders.

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