

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"/>
Pilot			Rule		
<input type="checkbox"/>	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="text"/>	<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input 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 *).

Proposal to amend the MIAX Pearl Options Fee Schedule to amend the fees for Purge Ports.

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@miami-holdings.com

Telephone * (609) 897-8499 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 07/01/2021 AVP, Associate Counsel

By Michael Slade

(Name *)

mslade@miami-holdings.com

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

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

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

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

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

Add Remove View

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

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

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

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

1. Text of Proposed Rule Change

(a) MIAX PEARL, LLC (“MIAX Pearl” or “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² proposes to amend the MIAX Pearl Options Fee Schedule (the “Fee Schedule”) to amend the fees for MIAX Express Network (“MEO”)³ Purge Ports.⁴

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and a copy of the proposed amended Fee Schedule is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange or his designee pursuant to authority delegated by the MIAX Pearl Board of Directors of the Exchange on January 28, 2021. 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 Michael Slade, Assistant Vice President, Associate Counsel, at (609) 897-8499.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ “MEO Interface” or “MEO” means a binary order interface for certain order types as set forth in Rule 516 into the MIAX Pearl System. See the Definitions Section of the Fee Schedule and Exchange Rule 100.

⁴ See the Definitions Section of the Fee Schedule.

a. Purpose

The Exchange currently provides Members⁵ the option to purchase Purge Ports to assist in their order activity. Purge Ports provide Members with the ability to send quote purge messages to the MIAX Pearl System.⁶ Purge Ports are not capable of sending or receiving any other type of messages or information. The use of Purge Ports is completely optional and no rule or regulation requires that a Member utilize them.

The Exchange proposes to amend the monthly fee for Purge Ports under Section 5)d) of the Fee Schedule. Unlike other options exchanges that provide purge port functionality and charge fees on a per port basis,⁷ the Exchange offers Purge Ports as a package and provides Members with the option to receive up to two (2) Purge Ports per matching engine⁸ to which it

⁵ The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of Exchange 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 the Definitions Section of the Fee Schedule and Exchange Rule 100.

⁶ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁷ See Cboe BXZ Exchange, Inc. (“BZX”) Options Fee Schedule, Options Logical Port Fees, Purge Ports (\$750 per purge port per month); Cboe EDGX Exchange, Inc. (“EDGX”) Options Fee Schedule, Options Logical Port Fees, Purge Ports (\$750 per purge port per month); Cboe Exchange, Inc. (“Cboe”) Fee Schedule (\$850 per purge port per month). In Cboe’s Purge Ports Frequently Asked Questions, Cboe recommends that at least two purge ports be obtained per exchange for redundancy purposes. See https://cdn.cboe.com/resources/features/Cboe_USO_PurgePortsFAQs.pdf. See also Nasdaq GEMX, Options 7, Pricing Schedule, Section 6.C.(3). Nasdaq GEMX, LLC (“Nasdaq GEMX”) assesses its members \$1,250 per SQF Purge Port per month, subject to a monthly cap of \$17,500 for SQF Purge Ports and SQF Ports, applicable to market makers.

⁸ A “matching engine” is a part of the MIAX Pearl electronic system that processes options quotes and trades on a symbol-by-symbol basis. Some matching engines will process option classes with multiple root symbols, and other matching engines will be dedicated to one single option root symbol. A particular root symbol may only be assigned to a

connects via an MEO Purge Port. The Exchange currently has twelve (12) matching engines, which means Members may receive up to twenty-four (24) Purge Ports for a single monthly fee. The Exchange currently assesses Members a fee of \$750 per month, regardless of the number of Purge Ports allocated to the Member. Assuming a Member connects to all twelve (12) matching engines during a month, with two Purge Ports per matching engine, this results in a cost of \$31.25 per Purge Port (\$750 divided by 24) for the month. This fee has been unchanged since the Exchange adopted Purge Port fees in 2018.⁹ The Exchange now proposes to increase the fee to \$7,500 per month. Members will continue to receive two (2) Purge Ports to each matching engine to which they are connected for the single flat monthly fee. Assuming a Member connects to all twelve (12) matching engines during the month, with two Purge Ports per matching engine, this would result in a cost of \$312.50 per Purge Port (\$7,500 divided by 24).

The Exchange has historically undercharged for Purge Port as compared to other options exchanges¹⁰ because the Exchange provides Purge Ports as a package for a single monthly fee. As described above, this package includes two Purge Ports for each of the Exchange's twelve (12) matching engines. The Exchange understands other options exchanges charge fees on a per port basis. The proposed monthly fee increase for Purge Ports would bring the Exchange's fees more in line with that of other options exchanges, while maintaining a competitive fee structure for Purge Port.

Implementation Date

single designated matching engine. A particular root symbol may not be assigned to multiple matching engines. See Fee Schedule, Section 5)d)ii), note 29.

⁹ See Securities Exchange Act Release No. 83867 (March 13, 2018), 83 FR 12044 (March 19, 2018) (SR-PEARL-2018-07).

¹⁰ See supra note 7.

The proposed fee changes will become effective on July 1, 2021.

b. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act¹¹ in general, and furthers the objectives of Section 6(b)(4) of the Act¹² in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among Exchange Members and issuers and other persons using any facility or system which the Exchange operates or controls. The Exchange also believes the proposal furthers the objectives of Section 6(b)(5) of the Act¹³ in that it is designed to promote just and equitable principles of trade, 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 and is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

The Exchange believes that the proposed fees are reasonable, equitably allocated and not unfairly discriminatory because, for the flat fee, the Exchange provides each Member two (2) Purge Ports for each matching engine to which that Member is connected. The Exchange currently has twelve (12) matching engines. Accordingly, each Member that is connected to all twelve (12) matching engines receives a total of twenty-four (24) Purge Ports for the existing flat fee of \$1,500 per month. On a per Purge Port basis, that equals \$31.25 per Purge Port (\$750 divided by 24). This flat fee has remain unchanged since the Exchange adopted fees for Purge Ports in 2018.¹⁴ The Exchange believes that increasing the flat monthly fee for Purge Port

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ See supra note 9.

(regardless of the number of matching engines to which it connects and consequently regardless of the number of Purge Ports allocated to the Member) is equitable, reasonable, and competitive with the fees charged by other exchanges that offer comparable purge port services. The Exchange believes that most such exchanges charge per port for each match engine. For example, BXZ charges a monthly fee of \$750 per purge port per month, EDGX charges a monthly fee of \$750 per purge port, Cboe charges a monthly fee of \$850 per purge port,¹⁵ and Nasdaq GEMX assesses its members \$1,250 per SQF Purge Port per month.¹⁶ When calculated on a per purge port basis, each of the above exchanges charge monthly per purge port fees that are higher than the proposed \$7,500 per month (\$312.50 per Purge Port).

The Exchange operates in a highly competitive environment. Indeed, there are currently 16 registered options exchanges that trade options. Based on publicly available information, no single options exchange has more than 15% of the market share and currently the Exchange represents only approximately 4.98% of the market share.¹⁷ The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Particularly, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to

¹⁵ See supra note 7. Cboe further recommends that at least two purge ports be obtained per exchange for redundancy purposes. See https://cdn.cboe.com/resources/features/Cboe_USO_PurgePortsFAQs.pdf. This guidance applies to Cboe’s affiliate exchanges, BZX and EDGX.

¹⁶ See supra note 7.

¹⁷ See MIAX’s “The Market at a Glance”, available at <https://www.miaxoptions.com/> (last visited June 30, 2021).

investors and listed companies.”¹⁸ The Exchange is not aware of any evidence that a market share of approximately 6-7% provides the Exchange with anti-competitive pricing power. If the Exchange were to attempt to establish unreasonable pricing, then no market participant would purchase Purge Ports, and existing market participants would cease paying for Purge Ports, which are optional services offered by the Exchange. The Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁹ in that it provides for the equitable allocation of reasonable dues, fees and other charges among Members and other persons using any facility or system which the Exchange operates or controls because Purge Ports are optional functionality offered to Members. The Exchange further believes the proposed fees are reasonable as the Exchange believes that the proposed fees are lower on a per port basis than the fees assessed by other exchanges that provide similar functionality.²⁰ Indeed, if the Exchange proposed fees that are excessively higher than established fees for similar services on other exchanges, then the proposed fees would simply serve to reduce demand for the Exchange’s services, which as noted, is entirely optional. The Exchange notes that Members are not required by rule or regulation to purchase Purge Ports. It is entirely a business decision of each Member that determines to purchase Purge Ports.

Additionally, Members are not precluded from using the existing purge messages provided by either the MEO protocol or the cancel messages provided by the FIX protocol. Under the MEO protocol, Members may request that all quotations for all underlyings, or for a specific underlying, be removed, and that new inbound quotations for all underlyings, or specific

¹⁸ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

¹⁹ 15 U.S.C. 78f(b)(4).

²⁰ See supra note 7.

underlyings, be blocked. Under the FIX protocol, Members may also request that all, or a subset, of orders for an MPID, or all Day or GTC orders for an MPID, on the requesting session, be canceled. As such, a dedicated Purge Port is not required or necessary. Rather, Purge Ports were specially developed as an optional service to further assist firms in effectively managing risk.

The Exchange operates in a highly competitive market in which exchanges offer various types of access services as a means to facilitate the trading activities of Members and other participants. As Purge Ports provide voluntary risk management functionality, excessive fees would simply serve to reduce demand for this optional product. The Exchange also believes that the proposed Purge Port fees are not unfairly discriminatory because they will apply uniformly to all Members that choose to use dedicated Purge Ports. Purge Ports are completely voluntary and, as they relate solely to optional risk management functionality, no Member is required or under any regulatory obligation to utilize them. All Members that voluntarily select the Purge Port service will be charged the same amount for the same respective services.

As Purge Ports are only available for purging and not for activities such as order or quote entry, the Purge Ports are not designed to permit unfair discrimination but rather are designed to enable Members to better manage their market risk, which, in turn, benefits all market participants. The Exchange believes the proposed fee increase will continue to encourage better use of dedicated Purge Ports. This may, concurrent with the ports that carry orders and other information necessary for market making activities, enable more efficient, as well as fair and reasonable, use of Members' resources. The Exchange also believes that the proposed fee increase is non-discriminatory because the proposed Purge Port fees will apply uniformly to all Members. Purge Ports are completely voluntary and no Member is required or under any regulatory obligation to utilize them. All Members that voluntarily request this

service will be charged the same amount for the same service. Separately, the Exchange is not aware of any reason why market participants could not simply drop their Purge Ports if the Exchange were to establish unreasonable prices for its Purge Ports that, in the determination of such market participant, did not make business or economic sense for such market participant. No options market participant is required by rule, regulation, or competitive forces to utilize Purge Ports. As evidence of the fact that market participants can and do drop their access to exchanges based on non-transaction fee pricing, R2G Services LLC (“R2G”) filed a comment letter after BOX’s proposed rule changes to increase its connectivity fees (SR-BOX-2018-24, SR-BOX-2018-37, and SR-BOX-2019-04). The R2G Letter stated, “[w]hen BOX instituted a \$10,000/month price increase for connectivity; we had no choice but to terminate connectivity into them as well as terminate our market data relationship. The cost benefit analysis just didn’t make any sense for us at those new levels.” Similarly, the Exchange’s affiliate, MIAX Emerald, LLC (“MIAX Emerald”), noted in a recent filing that once MIAX Emerald issued a notice that it was adopting Trading Permit fees, among other non-transaction fees, one Member dropped its access to the Exchange as a result of those fees.²¹ Accordingly, these examples show that if an exchange sets too high of a fee for non-transaction fees for its relevant marketplace, market participants can choose to no longer access that particular exchange.

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.

²¹ See Securities Exchange Act Release No. 91033 (February 1, 2021), 86 FR 8455 (February 5, 2021) (SR-EMERALD-2021-03).

The Exchange believes the proposed rule change does not impose any burden intra-market competition because the use of Purge Ports is an optional service offered by the Exchange and no Member is required or under any regulatory obligation to utilize them. The Exchange offers Purge Ports as a package and provides Members with the option to receive up to two (2) Purge Ports per matching engine to which it connects via an MEO Port. The Exchange currently has twelve (12) matching engines which means Members may receive up to twenty-four (24) Purge Ports for a single monthly fee. The Exchange does not believe that the proposed change represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

The Exchange believes that fees for the proposed Purge Ports and connectivity, in general, are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, including Purge Port fees, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The Exchange also does not believe the proposed rule change would impact intramarket competition as it would apply to all Members equally.

The Exchange also does not believe that the proposed rule change will result in any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a highly competitive environment, and as discussed above, its ability to price access and ports is constrained by competition among exchanges and third parties. There are 15 other U.S. options exchanges, which the Exchange

must consider in its pricing discipline in order to compete for market participants. In this competitive environment, market participants are free to choose which competing exchange to use to satisfy their business needs. As a result, the Exchange believes this proposed rule change permits fair competition among national securities exchanges. Accordingly, the Exchange does not believe its proposed fee changes impose 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**

The Exchange does not consent to an extension of the time period for Commission action.

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)(ii) of the Act,²² and Rule 19b-4(f)(2) thereunder²³ the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

Not applicable.

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

Not applicable.

²² 15 U.S.C. 78s(b)(3)(A)(ii).

²³ 17 CFR 240.19b-4.

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

Not applicable.

11. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.
5. Copy of the applicable section of the Fee Schedule.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-PEARL-2021-30)

July ____, 2021

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC to Amend the MIAX Pearl Options Fee Schedule

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 July ____, 2021, MIAX PEARL, LLC (“MIAX Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend the MIAX Pearl Fee Schedule (the “Fee Schedule”) to amend the fees for MIAX Express Network (“MEO”)³ Purge Ports.⁴

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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ “MEO Interface” or “MEO” means a binary order interface for certain order types as set forth in Rule 516 into the MIAX Pearl System. See the Definitions Section of the Fee Schedule and Exchange Rule 100.

⁴ See the Definitions Section of the Fee Schedule.

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 currently provides Members⁵ the option to purchase Purge Ports to assist in their order activity. Purge Ports provide Members with the ability to send quote purge messages to the MIAX Pearl System.⁶ Purge Ports are not capable of sending or receiving any other type of messages or information. The use of Purge Ports is completely optional and no rule or regulation requires that a Member utilize them.

The Exchange proposes to amend the monthly fee for Purge Ports under Section 5)d) of the Fee Schedule. Unlike other options exchanges that provide purge port functionality and charge fees on a per port basis,⁷ the Exchange offers Purge Ports as a package and provides

⁵ The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of Exchange 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 the Definitions Section of the Fee Schedule and Exchange Rule 100.

⁶ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁷ See Cboe BXZ Exchange, Inc. (“BZX”) Options Fee Schedule, Options Logical Port Fees, Purge Ports (\$750 per purge port per month); Cboe EDGX Exchange, Inc. (“EDGX”) Options Fee Schedule, Options Logical Port Fees, Purge Ports (\$750 per purge port per month); Cboe Exchange, Inc. (“Cboe”) Fee Schedule (\$850 per purge port per month). In Cboe’s Purge Ports Frequently Asked Questions, Cboe recommends that at least two purge ports be obtained per exchange for redundancy purposes. See https://cdn.cboe.com/resources/features/Cboe_USO_PurgePortsFAQs.pdf. See also Nasdaq GEMX, Options 7, Pricing Schedule, Section 6.C.(3). Nasdaq GEMX, LLC

Members with the option to receive up to two (2) Purge Ports per matching engine⁸ to which it connects via an MEO Purge Port. The Exchange currently has twelve (12) matching engines, which means Members may receive up to twenty-four (24) Purge Ports for a single monthly fee. The Exchange currently assesses Members a fee of \$750 per month, regardless of the number of Purge Ports allocated to the Member. Assuming a Member connects to all twelve (12) matching engines during a month, with two Purge Ports per matching engine, this results in a cost of \$31.25 per Purge Port (\$750 divided by 24) for the month. This fee has been unchanged since the Exchange adopted Purge Port fees in 2018.⁹ The Exchange now proposes to increase the fee to \$7,500 per month. Members will continue to receive two (2) Purge Ports to each matching engine to which they are connected for the single flat monthly fee. Assuming a Member connects to all twelve (12) matching engines during the month, with two Purge Ports per matching engine, this would result in a cost of \$312.50 per Purge Port (\$7,500 divided by 24).

The Exchange has historically undercharged for Purge Port as compared to other options exchanges¹⁰ because the Exchange provides Purge Ports as a package for a single monthly fee. As described above, this package includes two Purge Ports for each of the Exchange's twelve (12) matching engines. The Exchange understands other options exchanges charge fees on a per

("Nasdaq GEMX") assesses its members \$1,250 per SQF Purge Port per month, subject to a monthly cap of \$17,500 for SQF Purge Ports and SQF Ports, applicable to market makers.

⁸ A "matching engine" is a part of the MIAX Pearl electronic system that processes options quotes and trades on a symbol-by-symbol basis. Some matching engines will process option classes with multiple root symbols, and other matching engines will be dedicated to one single option root symbol. A particular root symbol may only be assigned to a single designated matching engine. A particular root symbol may not be assigned to multiple matching engines. See Fee Schedule, Section 5)d)ii), note 29.

⁹ See Securities Exchange Act Release No. 83867 (March 13, 2018), 83 FR 12044 (March 19, 2018) (SR-PEARL-2018-07).

¹⁰ See supra note 7.

port basis. The proposed monthly fee increase for Purge Ports would bring the Exchange's fees more in line with that of other options exchanges, while maintaining a competitive fee structure for Purge Port.

Implementation Date

The proposed fee changes will become effective on July 1, 2021.

2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act¹¹ in general, and furthers the objectives of Section 6(b)(4) of the Act¹² in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among Exchange Members and issuers and other persons using any facility or system which the Exchange operates or controls. The Exchange also believes the proposal furthers the objectives of Section 6(b)(5) of the Act¹³ in that it is designed to promote just and equitable principles of trade, 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 and is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

The Exchange believes that the proposed fees are reasonable, equitably allocated and not unfairly discriminatory because, for the flat fee, the Exchange provides each Member two (2) Purge Ports for each matching engine to which that Member is connected. The Exchange currently has twelve (12) matching engines. Accordingly, each Member that is connected to all twelve (12) matching engines receives a total of twenty-four (24) Purge Ports for the existing flat

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4).

¹³ 15 U.S.C. 78f(b)(5).

fee of \$1,500 per month. On a per Purge Port basis, that equals \$31.25 per Purge Port (\$750 divided by 24). This flat fee has remain unchanged since the Exchange adopted fees for Purge Ports in 2018.¹⁴ The Exchange believes that increasing the flat monthly fee for Purge Port (regardless of the number of matching engines to which it connects and consequently regardless of the number of Purge Ports allocated to the Member) is equitable, reasonable, and competitive with the fees charged by other exchanges that offer comparable purge port services. The Exchange believes that most such exchanges charge per port for each match engine. For example, BXZ charges a monthly fee of \$750 per purge port per month, EDGX charges a monthly fee of \$750 per purge port, Cboe charges a monthly fee of \$850 per purge port,¹⁵ and Nasdaq GEMX assesses its members \$1,250 per SQF Purge Port per month.¹⁶ When calculated on a per purge port basis, each of the above exchanges charge monthly per purge port fees that are higher than the proposed \$7,500 per month (\$312.50 per Purge Port).

The Exchange operates in a highly competitive environment. Indeed, there are currently 16 registered options exchanges that trade options. Based on publicly available information, no single options exchange has more than 15% of the market share and currently the Exchange represents only approximately 4.98% of the market share.¹⁷ The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Particularly, in Regulation NMS, the

¹⁴ See supra note 9.

¹⁵ See supra note 7. Cboe further recommends that at least two purge ports be obtained per exchange for redundancy purposes. See https://cdn.cboe.com/resources/features/Cboe_USO_PurgePortsFAQs.pdf. This guidance applies to Cboe's affiliate exchanges, BZX and EDGX.

¹⁶ See supra note 7.

¹⁷ See MIAX's "The Market at a Glance", available at <https://www.miaxoptions.com/> (last visited June 30, 2021).

Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹⁸ The Exchange is not aware of any evidence that a market share of approximately 6-7% provides the Exchange with anti-competitive pricing power. If the Exchange were to attempt to establish unreasonable pricing, then no market participant would purchase Purge Ports, and existing market participants would cease paying for Purge Ports, which are optional services offered by the Exchange. The Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁹ in that it provides for the equitable allocation of reasonable dues, fees and other charges among Members and other persons using any facility or system which the Exchange operates or controls because Purge Ports are optional functionality offered to Members. The Exchange further believes the proposed fees are reasonable as the Exchange believes that the proposed fees are lower on a per port basis than the fees assessed by other exchanges that provide similar functionality.²⁰ Indeed, if the Exchange proposed fees that are excessively higher than established fees for similar services on other exchanges, then the proposed fees would simply serve to reduce demand for the Exchange’s services, which as noted, is entirely optional. The Exchange notes that Members are not required by rule or regulation to purchase Purge Ports. It is entirely a business decision of each Member that determines to purchase Purge Ports.

¹⁸ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

¹⁹ 15 U.S.C. 78f(b)(4).

²⁰ See supra note 7.

Additionally, Members are not precluded from using the existing purge messages provided by either the MEO protocol or the cancel messages provided by the FIX protocol. Under the MEO protocol, Members may request that all quotations for all underlyings, or for a specific underlying, be removed, and that new inbound quotations for all underlyings, or specific underlyings, be blocked. Under the FIX protocol, Members may also request that all, or a subset, of orders for an MPID, or all Day or GTC orders for an MPID, on the requesting session, be canceled. As such, a dedicated Purge Port is not required or necessary. Rather, Purge Ports were specially developed as an optional service to further assist firms in effectively managing risk.

The Exchange operates in a highly competitive market in which exchanges offer various types of access services as a means to facilitate the trading activities of Members and other participants. As Purge Ports provide voluntary risk management functionality, excessive fees would simply serve to reduce demand for this optional product. The Exchange also believes that the proposed Purge Port fees are not unfairly discriminatory because they will apply uniformly to all Members that choose to use dedicated Purge Ports. Purge Ports are completely voluntary and, as they relate solely to optional risk management functionality, no Member is required or under any regulatory obligation to utilize them. All Members that voluntarily select the Purge Port service will be charged the same amount for the same respective services.

As Purge Ports are only available for purging and not for activities such as order or quote entry, the Purge Ports are not designed to permit unfair discrimination but rather are designed to enable Members to better manage their market risk, which, in turn, benefits all market participants. The Exchange believes the proposed fee increase will continue to encourage better use of dedicated Purge Ports. This may, concurrent with the ports that carry orders and other information necessary for market making activities, enable more efficient, as well as fair and reasonable, use of Members' resources. The Exchange also believes that the

proposed fee increase is non-discriminatory because the proposed Purge Port fees will apply uniformly to all Members. Purge Ports are completely voluntary and no Member is required or under any regulatory obligation to utilize them. All Members that voluntarily request this service will be charged the same amount for the same service. Separately, the Exchange is not aware of any reason why market participants could not simply drop their Purge Ports if the Exchange were to establish unreasonable prices for its Purge Ports that, in the determination of such market participant, did not make business or economic sense for such market participant. No options market participant is required by rule, regulation, or competitive forces to utilize Purge Ports. As evidence of the fact that market participants can and do drop their access to exchanges based on non-transaction fee pricing, R2G Services LLC (“R2G”) filed a comment letter after BOX’s proposed rule changes to increase its connectivity fees (SR-BOX-2018-24, SR-BOX-2018-37, and SR-BOX-2019-04). The R2G Letter stated, “[w]hen BOX instituted a \$10,000/month price increase for connectivity; we had no choice but to terminate connectivity into them as well as terminate our market data relationship. The cost benefit analysis just didn’t make any sense for us at those new levels.” Similarly, the Exchange’s affiliate, MIAX Emerald, LLC (“MIAX Emerald”), noted in a recent filing that once MIAX Emerald issued a notice that it was adopting Trading Permit fees, among other non-transaction fees, one Member dropped its access to the Exchange as a result of those fees.²¹ Accordingly, these examples show that if an exchange sets too high of a fee for non-transaction fees for its relevant marketplace, market participants can choose to no longer access that particular exchange.

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

²¹ See Securities Exchange Act Release No. 91033 (February 1, 2021), 86 FR 8455 (February 5, 2021) (SR-EMERALD-2021-03).

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.

The Exchange believes the proposed rule change does not impose any burden intra-market competition because the use of Purge Ports is an optional service offered by the Exchange and no Member is required or under any regulatory obligation to utilize them. The Exchange offers Purge Ports as a package and provides Members with the option to receive up to two (2) Purge Ports per matching engine to which it connects via an MEO Port. The Exchange currently has twelve (12) matching engines which means Members may receive up to twenty-four (24) Purge Ports for a single monthly fee. The Exchange does not believe that the proposed change represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

The Exchange believes that fees for the proposed Purge Ports and connectivity, in general, are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, including Purge Port fees, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The Exchange also does not believe the proposed rule change would impact intramarket competition as it would apply to all Members equally.

The Exchange also does not believe that the proposed rule change will result in any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a highly competitive environment, and as discussed above, its ability to price access and ports is constrained by competition among

exchanges and third parties. There are 15 other U.S. options exchanges, which the Exchange must consider in its pricing discipline in order to compete for market participants. In this competitive environment, market participants are free to choose which competing exchange to use to satisfy their business needs. As a result, the Exchange believes this proposed rule change permits fair competition among national securities exchanges. Accordingly, the Exchange does not believe its proposed fee changes 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²² and Rule 19b-4(f)(2)²³ 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:

²² 15 U.S.C. 78s(b)(3)(A)(ii).

²³ 17 CFR 240.19b-4(f)(2).

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or
- Send an e-mail [to rule-comments@sec.gov](mailto:to-rule-comments@sec.gov). Please include File Number SR-PEARL-2021-30 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-2021-30. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

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

All submissions should refer to File Number SR-PEARL-2021-30 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.²⁴

Vanessa Countryman
Secretary

²⁴ 17 CFR 200.30-3(a)(12).

Exhibit 5

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

MIAX PEARL Options Fee Schedule

* * * * *

5) System Connectivity Fees

a) - c) (No change).

d) Port Fees

MIAX PEARL will assess monthly Port Fees on Members in each month the Member is credentialed to use a Port in the production environment. The Port Fees assessable for FIX Ports, Limited Service MEO Ports, Purge Ports, CTD Ports and FXD Ports are as set forth in the table below. The Port Fees assessable for Full Service MEO Ports, both Bulk and/or Single, are based upon the Non-Transaction Fees Volume-Based Tiers, as set forth in the table below. MIAX PEARL has primary and secondary data centers and a disaster recovery center. Each Port provides access to all three data centers for a single fee. Unless otherwise specifically set forth in the Fee Schedule, the Port Fees include the information communicated through the Port at no additional charge.

Type of Port	Monthly Port Fees Includes Connectivity to the Primary, Secondary and Disaster Recovery Data Centers
FIX Port^ - Limited Service MEO Port	(No change).
MEO Purge Port***	[\$750] <u>\$7,500</u>
CTD Port^ - FXD Port^	(No change).

* * * * *