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

File No. \* SR 2023 - \* 25

Amendment No. (req. for Amendments \*)

Filing by MIAX PEARL, LLC

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

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

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<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  
Section 806(e)(1) \*

Section 806(e)(2) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

### Description

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

Proposal to amend the MIAX Pearl Equities Fee Schedule to amend the criteria for the Step-Up Added Liquidity Rebate.

### 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) 955-0460 Fax

### Signature

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

Date 06/07/2023

(Title \*)

By Michael Slade

AVP, Associate Counsel

(Name \*)

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

*Michael Slade* Date: 2023.06.07 15:38:49 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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SR-PEARL-2023-25 - 19b4.docx

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

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

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SR-PEARL-2023-25 - Exhibit 1.docx

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

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

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

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

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

Exhibit Sent As Paper Document

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

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

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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SR-PEARL-2023-25 - Exhibit 5.docx

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

**Partial Amendment**

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

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

(a) MIAX PEARL, LLC (“MIAX Pearl” or “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend the fee schedule (the “Fee Schedule”) applicable to MIAX Pearl Equities, an equities trading facility of the Exchange.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and a copy of the applicable section of the 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 duly appointed designee pursuant to authority delegated by the MIAX Pearl Board of Directors on February 2, 2023. 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 changes may be directed to Michael Slade, AVP and Associate Counsel, at (609) 955-0460.

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

a. Purpose

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

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

The Exchange proposes to amend Section 1)g) of the Fee Schedule to modify one aspect of the criteria that is required for Equity Members<sup>3</sup> to receive the Step-Up Added Liquidity Rebate (described below). The Exchange initially filed this proposal on May 31, 2023 (SR-PEARL-2023-23). On June 7, 2023, the Exchange withdrew SR-PEARL-2023-23 and refiled this proposal as SR-PEARL-2023-25.

### Background

The Exchange currently provides a standard rebate of (\$0.0029)<sup>4</sup> per share for executions of orders in securities priced at or above \$1.00 per share that add displayed liquidity to the Exchange. The Exchange also currently offers various volume-based tiers and incentives through which an Equity Member may receive an enhanced rebate for executions of orders that add displayed liquidity to the Exchange by achieving the specified criteria that corresponds to a particular tier/incentive.

In particular, the Exchange adopted a volume based pricing incentive, referred to as the “Step-Up Added Liquidity Rebate,” in which qualifying Equity Members receive an enhanced rebate of (\$0.0031) per share for executions of orders in securities priced at or above \$1.00 per share that add displayed liquidity to the Exchange.<sup>5</sup> The enhanced rebate provided for by the Step-Up Added Liquidity Rebate applies to Liquidity Indicator Codes AA (adds liquidity,

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<sup>3</sup> The term “Equity Member” is a Member authorized by the Exchange to transact business on MIAx Pearl Equities. See Exchange Rule 1901.

<sup>4</sup> Rebates are indicated by parentheses. See the General Notes Section of the Fee Schedule.

<sup>5</sup> See Securities Exchange Act Release No. 95614 (August 26, 2022), 87 FR 53813 (September 1, 2022) (SR-PEARL-2022-33).

displayed order, Tape A), AB (adds liquidity, displayed order, Tape B) and AC (adds liquidity, displayed order, Tape C).<sup>6</sup>

Currently, Equity Members qualify for the Step-Up Added Liquidity Rebate by achieving a “Step-Up ADAV as a % of TCV”<sup>7</sup> of at least 0.03% over the baseline month of July 2022.<sup>8</sup> Average daily added volume (“ADAV”) means average daily added volume calculated as the number of shares added per day and average daily volume (“ADV”) means average daily volume calculated as the number of shares added or removed, combined, per day. ADAV and ADV are calculated on a monthly basis.<sup>9</sup> Total consolidated volume (“TCV”) means total consolidated volume calculated as the volume in shares reported by all exchanges and reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.<sup>10</sup>

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<sup>6</sup> See Fee Schedule, Section 1)b), Liquidity Indicator Codes and Associated Fees.

<sup>7</sup> The term “Step-Up ADAV as a % of TCV” means ADAV as a percent of TCV in the relevant baseline month subtracted from the current month’s ADAV as a percent of TCV. See the Definitions Section of the Fee Schedule. The Exchange notes that the Step-Up Added Liquidity Rebate does not apply to executions of orders in securities priced below \$1.00 per share or executions of orders that constitute added non-displayed liquidity.

<sup>8</sup> The Exchange currently uses a baseline ADAV of 0.00% of TCV for firms that become Equity Members of the Exchange after July 2022 for the purpose of the Step-Up Added Liquidity Rebate calculation. See *supra* note 5.

<sup>9</sup> The Exchange excludes from its calculation of ADAV and ADV shares added or removed on any day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during regular trading hours, on any day with a scheduled early market close, and on the “Russell Reconstitution Day” (typically the last Friday in June). Routed shares are not included in the ADAV or ADV calculation. With prior notice to the Exchange, an Equity Member may aggregate ADAV or ADV with other Equity Members that control, are controlled by, or are under common control with such Equity Member (as evidenced on such Equity Member’s Form BD). See the Definitions Section of the Fee Schedule.

<sup>10</sup> The Exchange excludes from its calculation of TCV volume on any given day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during Regular Trading Hours, on any day with a scheduled early market close, and on the

For example, prior to the effectiveness of this proposal, if an Equity Member had an ADAV as a percent of TCV of 0.01% in July 2022, then that Equity Member has to achieve an ADAV as a percent of TCV equal to or greater than 0.04% in any subsequent month in order to qualify for the Step-Up Added Liquidity Rebate.

### Proposal

The Exchange now proposes to amend Section 1)g) of the Fee Schedule to modify one aspect of the required criteria for Equity Members to receive the Step-Up Added Liquidity Rebate. In particular, the Exchange proposes to amend the baseline month from July 2022 to now be May 2023. With the proposed change, Equity Members will qualify for the Step-Up Added Liquidity Rebate by achieving a Step-Up ADAV as a % of TCV of at least 0.03% over the baseline month of May 2023.<sup>11</sup> Additionally, the Exchange proposes that the criteria to qualify for the Step-Up Added Liquidity Rebate will expire no later than September 29, 2023 (the last trading day for the month of September 2023, referred to herein as the “sunset period”).<sup>12</sup> The Exchange will issue an alert<sup>13</sup> to market participants should the Exchange determine that the Step-Up Added Liquidity Rebate will expire earlier than September 29, 2023

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“Russell Reconstitution Day” (typically the last Friday in June). See the Definitions Section of the Fee Schedule.

<sup>11</sup> The Exchange will continue use a baseline ADAV of 0.00% of TCV for firms that become Equity Members of the Exchange after May 2023 for the purpose of the Step-Up Added Liquidity Rebate calculation.

<sup>12</sup> The Exchange notes that at the end of the sunset period, the Step-Up Added Liquidity Rebate will no longer apply unless the Exchange files another 19b-4 Filing with the Commission to amend the criteria terms or update the baseline month to a more recent month.

<sup>13</sup> See, e.g., “MIAX Pearl Equities Exchange – June 1, 2023 Fee Changes,” available at <https://www.miaxglobal.com/alert/2023/05/31/miax-pearl-equities-exchange-june-1-2023-fee-changes>.

or if the Exchange determines to amend the criteria or rate applicable to the Step-Up Added Liquidity Rebate prior to the end of the sunset period. The Exchange notes that at least one other competing equities exchange recently filed a proposal with a similar “sunset period” for one of its enhanced rebates subject to a baseline month comparison with a more recent month.<sup>14</sup>

The Exchange does not propose any other changes to the qualifying criteria for Equity Members to receive the Step-Up Added Liquidity Rebate. The Exchange also does not propose to amend the amount of the enhanced rebate of (\$0.0031) for Equity Members that qualify for the Step-Up Added Liquidity Rebate.

The purpose of this proposed change is update the baseline month to a more recent month as volume on the Exchange has increased since the Exchange originally adopted the Step-Up Added Liquidity Rebate. The Exchange believes that with the updated baseline month, the Step-Up Added Liquidity Rebate will continue to provide an incentive for Equity Members to strive for higher ADAV on the Exchange (above their ADAV in the baseline month of May 2023) to receive the enhanced rebate for qualifying executions of orders in securities priced at or above \$1.00 per share that add displayed liquidity to the Exchange. The Exchange believes that, with the proposed change to the baseline month, the Step-Up Added Liquidity Rebate will continue to encourage the submission of additional displayed added liquidity to the Exchange, thereby promoting price discovery and contributing to a deeper and more liquid market, which benefits all market participants and enhances the attractiveness of the Exchange as a trading venue. The Exchange also notes that MEMX recently filed a proposal to use a more recent month (April

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<sup>14</sup> See Securities Exchange Act Release No. 97462 (May 9, 2023), 88 FR 31077 (May 15, 2023) (SR-MEMX-2023-08); see also MEMX LLC (“MEMX”) Fee Schedule, Liquidity Provision Tiers, Tier 4, available at <https://info.memxtrading.com/fee-schedule/> (last visited June 7, 2023).

2023) as the baseline month for one of its enhanced Liquidity Provision Tiers (Tier 4) for MEMX's members to receive an enhanced rebate.<sup>15</sup> The purpose of including the proposed sunset period in the Fee Schedule is to provide clarity to Equity Members that, unless the Exchange determines to amend or otherwise modify the Step-Up Added Liquidity Rebate, the Step-Up Added Liquidity Rebate will expire at the end of the sunset period.

#### Implementation

The proposed changes are immediately effective.

#### b. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>16</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>17</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among its Equity Members and issuers and other persons using its facilities and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange operates in a highly fragmented and competitive market in which market participants can readily direct their order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. More specifically, the Exchange is only one of sixteen registered equities exchanges, and there are a number of alternative trading systems and other off-exchange venues, to which market participants may direct their order flow. As of June 7, 2023, based on publicly available information, no single registered equities exchange currently has more than approximately 14-15% of the total market share of executed

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<sup>15</sup> See id.

<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(4).



volume of equities trading for the month of June 2023.<sup>18</sup> Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order flow, and the Exchange represents approximately 2.09% of the overall market share as of June 7, 2023 for the month of June 2023.<sup>19</sup> The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. 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 investors and listed companies.”<sup>20</sup>

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue to reduce use of certain categories of products, in response to new or different pricing structures being introduced into the market. Accordingly, competitive forces constrain the Exchange’s transaction fees and rebates, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable. The Exchange believes the proposal reflects a reasonable and competitive pricing structure designed to incentivize market participants to direct additional orders that add liquidity to the Exchange, which the Exchange

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<sup>18</sup> See the “Market Share” Section of the Exchange’s website, available at <https://www.miaxglobal.com/> (last visited June 7, 2023).

<sup>19</sup> See id.

<sup>20</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37499 (June 29, 2005).

believes would deepen liquidity and promote market quality on the Exchange to the benefit of all market participants.

The Exchange notes that volume-based incentives and discounts (such as tiers) have been widely adopted by exchanges (including the Exchange), and believes they are reasonable, equitable and not unfairly discriminatory because they are available to all Equity Members on an equal basis, provide additional benefits or discounts that are reasonably related to the value of an exchange's market quality associated with higher levels of market activity (such as higher levels of liquidity provision and/or growth patterns), and the introduction of higher volumes of orders into the price and volume discovery process.

The Exchange believes its proposal to update the baseline month criteria for the Step-Up Added Liquidity Rebate is reasonable, equitably allocated and not unfairly discriminatory because volume on the Exchange has increased since the Exchange originally adopted the Step-Up Added Liquidity Rebate. The Exchange believes that with the updated baseline month, the Step-Up Added Liquidity Rebate will continue to provide an incentive for Equity Members to strive for higher ADAV on the Exchange (above their ADAV in the baseline month of May 2023) to receive the enhanced rebate for qualifying executions of orders in securities priced at or above \$1.00 per share that add displayed liquidity to the Exchange. The Exchange believes that the proposal is reasonable because even with the updated baseline month, the Step-Up Added Liquidity Rebate will continue to encourage the submission of added displayed liquidity to the Exchange, thereby promoting price discovery and contributing to a deeper and more liquid market, which benefits all market participants and enhances the attractiveness of the Exchange as a trading venue.

The Exchange believes that the Step-Up Added Liquidity Rebate, as modified by the proposed change to the baseline month, is reasonable, equitable and not unfairly discriminatory as the Step-Up Added Liquidity Rebate will continue to be available to all Equity Members on an equal basis, and is reasonably designed to encourage Equity Members to maintain or increase their order flow in liquidity-adding volume. The Exchange believes this will continue to promote price discovery, enhance liquidity and market quality, and contribute to a more robust and well-balanced market ecosystem on the Exchange to the benefit of all Equity Members and market participants. The Exchange also notes that MEMX recently filed a proposal to use a more recent month (April 2023) as the baseline month for one of its enhanced Liquidity Provision Tiers (Tier 4) for MEMX's members to receive an enhanced rebate.<sup>21</sup>

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to include the sunset period in the Fee Schedule for the Step-Up Added Liquidity Rebate because it will provide clarity to Equity Members that, unless the Exchange determines to amend or otherwise modify the Step-Up Added Liquidity Rebate, the Step-Up Added Liquidity Rebate will expire at the end of the sunset period. This will allow Equity Members to take into account that the enhanced rebate provided for by the Step-Up Added Liquidity Rebate may be discontinued at the end of sunset period unless the Exchange announces otherwise and files a revised proposal with the Commission. The Exchange further notes that it will issue an alert to market participants should the Exchange determine that the Step-Up Added Liquidity Rebate will expire earlier than September 29, 2023 or if the Exchange determines to amend the criteria or rate applicable to the Step-Up Added Liquidity Rebate prior to the end of the sunset period. At least one other competing equities exchange provided a similar sunset period in its fee schedule

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<sup>21</sup> See supra note 14.

for one of its enhanced rebates subject to a baseline month comparison with a more recent month.<sup>22</sup>

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to use a baseline ADAV of 0.00% of TCV for firms that become Equity Members of the Exchange after May 2023 for the purpose of the Step-Up Added Liquidity Rebate calculation because it will provide an additional incentive for prospective firms to become Equity Members. The Exchange believes this will incentivize new Equity Members to trade on the Exchange, which will add to price discovery, enhance liquidity and market quality, and contribute to a more robust and well-balanced market ecosystem on the Exchange to the benefit of all Equity Members and market participants. The Exchange notes that the proposed Step-Up Added Liquidity Rebate will not adversely impact any Equity Member's ability to qualify for reduced fees or enhanced rebates offered under other pricing tiers/incentives on the Exchange. Should an Equity Member not meet the required criteria, the Equity Member will merely not receive the corresponding enhanced rebate.

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

The Exchange believes that the proposed change will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

##### Intramarket Competition

The Exchange does not believe that the proposal will impose any burden on intramarket competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the Step-Up Added Liquidity Rebate, as modified by this proposal, will continue to incentivize Equity Members to submit additional orders that add liquidity to the

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<sup>22</sup> See id.

Exchange, thereby contributing to a deeper and more liquid market and promoting price discovery and market quality on the Exchange to the benefit of all market participants and enhancing the attractiveness of the Exchange as a trading venue, which the Exchange believes, in turn, would continue to encourage market participants to direct additional order flow to the Exchange.

The Exchange also believes that using a baseline ADAV of 0.00% of TCV for firms that become Equity Members of the Exchange after May 2023 for the purpose of the Step-Up Added Liquidity Rebate calculation will incentivize new Equity Members to trade on the Exchange, which will add to price discovery, enhance liquidity and market quality, and contribute to a more robust and well-balanced market ecosystem on the Exchange to the benefit of all Equity Members and market participants. Greater liquidity benefits all Equity Members by providing more trading opportunities and encourages Equity Members to send additional orders to the Exchange, thereby contributing to robust levels of liquidity, which benefits all market participants. As described above, the opportunity to qualify for the proposed new Step-Up Added Liquidity Rebate, and thus receive the proposed rebate for qualifying executions of orders in securities priced at or above \$1.00 per share that add displayed volume will continue to be available to all Equity Members that meet the associated volume requirement, and the Exchange believes the proposed update to the baseline month is reasonably related to the enhanced market quality that the Step-Up Added Liquidity Rebate is designed to promote. As such the Exchange does not believe the proposed changes would impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purpose of the Act.

The Exchange believes its proposal to include the sunset period in the Fee Schedule for the Step-Up Added Liquidity Rebate will not impose any burden on intramarket competition not necessary or appropriate in furtherance of the purposes of the Act because it will provide clarity to Equity Members that, unless the Exchange determines to amend or otherwise modify the Step-Up Added Liquidity Rebate, the Step-Up Added Liquidity Rebate will be discontinued at the end of the sunset period. This will allow Equity Members to take into account that the enhanced rebate provided for by the Step-Up Added Liquidity Rebate may be discontinued at the end of sunset period unless the Exchange announces otherwise. The Exchange further notes that it will issue an alert to market participants should the Exchange determine that the Step-Up Added Liquidity Rebate will expire earlier than September 29, 2023 or if the Exchange determines to amend the criteria or rate applicable to the Step-Up Added Liquidity Rebate prior to the end of the sunset period. At least one other competing equities exchange provided a similar sunset period in its fee schedule for one of its enhanced rebates subject to a baseline month comparison with a more recent month.<sup>23</sup>

#### Intermarket Competition

The Exchange believes its proposal will benefit competition, and the Exchange notes that it operates in a highly competitive market. Equity Members have numerous alternative venues they may participate on and direct their order flow to, including fifteen other equities exchanges and numerous alternative trading systems and other off-exchange venues. As noted above, as of June 7, 2023, based on publicly available information, no single registered equities exchange currently has more than approximately 14-15% of the total market share of executed volume of

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<sup>23</sup> See id.

equities trading for the month of June 2023.<sup>24</sup> Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order flow, and the Exchange represents approximately 2.09% of the overall market share as of June 7, 2023 for the month of June 2023.<sup>25</sup> Moreover, the Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow in response to new or different pricing structures being introduced to the market. Accordingly, competitive forces constrain the Exchange's transaction fees and rebates generally, including with respect to the criteria for Equity Members to achieve the Step-Up Added Liquidity Rebate, and market participants can readily choose to send their orders to other exchanges and off-exchange venues if they deem rebate criteria at those other venues to be more favorable.

As described above, the proposed changes represent a competitive proposal through which the Exchange is seeking to continue to encourage additional order flow to the Exchange through a volume-based incentive that is comparable to the criteria for volume-based incentives adopted by at least one other competing exchange which also updated its baseline month to a more recent month for a specific enhanced rebate that adds liquidity to that market.<sup>26</sup> Accordingly, the Exchange believes that its proposal would not burden, but rather promote, intermarket competition by enabling it to better compete with other exchanges that offer similar pricing incentives to market participants that achieve certain volume criteria and thresholds.

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<sup>24</sup> See the "Market Share" Section of the Exchange's website, [available at https://www.miaxglobal.com/](https://www.miaxglobal.com/) (last visited June 7, 2023).

<sup>25</sup> See id.

<sup>26</sup> See supra note **Error! Bookmark not defined.4.**

Additionally, the Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, 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 investors and listed companies.”<sup>27</sup> The fact that this market is competitive has also long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. circuit stated: “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possess a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . .”<sup>28</sup> Accordingly, the Exchange does not believe its proposed pricing 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**

Not applicable.

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<sup>27</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

<sup>28</sup> See *NetCoalition v. SEC*, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSE-2006-21)).



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,<sup>29</sup> and Rule 19b-4(f)(2) thereunder<sup>30</sup> 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.

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.

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<sup>29</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>30</sup> 17 CFR 240.19b-4.

**EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-PEARL-2023-25)

June \_\_\_\_, 2023

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

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 June \_\_\_\_, 2023, 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 fee schedule (the “Fee Schedule”) applicable to MIAX Pearl Equities, an equities trading facility of the Exchange.

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

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

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

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

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

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 Section 1)g) of the Fee Schedule to modify one aspect of the criteria that is required for Equity Members<sup>3</sup> to receive the Step-Up Added Liquidity Rebate (described below). The Exchange initially filed this proposal on May 31, 2023 (SR-PEARL-2023-23). On June 7, 2023, the Exchange withdrew SR-PEARL-2023-23 and refiled this proposal as SR-PEARL-2023-25.

Background

The Exchange currently provides a standard rebate of (\$0.0029)<sup>4</sup> per share for executions of orders in securities priced at or above \$1.00 per share that add displayed liquidity to the Exchange. The Exchange also currently offers various volume-based tiers and incentives through which an Equity Member may receive an enhanced rebate for executions of orders that add displayed liquidity to the Exchange by achieving the specified criteria that corresponds to a particular tier/incentive.

In particular, the Exchange adopted a volume based pricing incentive, referred to as the “Step-Up Added Liquidity Rebate,” in which qualifying Equity Members receive an enhanced rebate of (\$0.0031) per share for executions of orders in securities priced at or above \$1.00 per

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<sup>3</sup> The term “Equity Member” is a Member authorized by the Exchange to transact business on MIAX Pearl Equities. See Exchange Rule 1901.

<sup>4</sup> Rebates are indicated by parentheses. See the General Notes Section of the Fee Schedule.

share that add displayed liquidity to the Exchange.<sup>5</sup> The enhanced rebate provided for by the Step-Up Added Liquidity Rebate applies to Liquidity Indicator Codes AA (adds liquidity, displayed order, Tape A), AB (adds liquidity, displayed order, Tape B) and AC (adds liquidity, displayed order, Tape C).<sup>6</sup>

Currently, Equity Members qualify for the Step-Up Added Liquidity Rebate by achieving a “Step-Up ADAV as a % of TCV”<sup>7</sup> of at least 0.03% over the baseline month of July 2022.<sup>8</sup> Average daily added volume (“ADAV”) means average daily added volume calculated as the number of shares added per day and average daily volume (“ADV”) means average daily volume calculated as the number of shares added or removed, combined, per day. ADAV and ADV are calculated on a monthly basis.<sup>9</sup> Total consolidated volume (“TCV”) means total consolidated volume calculated as the volume in shares reported by all exchanges and reporting

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<sup>5</sup> See Securities Exchange Act Release No. 95614 (August 26, 2022), 87 FR 53813 (September 1, 2022) (SR-PEARL-2022-33).

<sup>6</sup> See Fee Schedule, Section 1)b), Liquidity Indicator Codes and Associated Fees.

<sup>7</sup> The term “Step-Up ADAV as a % of TCV” means ADAV as a percent of TCV in the relevant baseline month subtracted from the current month’s ADAV as a percent of TCV. See the Definitions Section of the Fee Schedule. The Exchange notes that the Step-Up Added Liquidity Rebate does not apply to executions of orders in securities priced below \$1.00 per share or executions of orders that constitute added non-displayed liquidity.

<sup>8</sup> The Exchange currently uses a baseline ADAV of 0.00% of TCV for firms that become Equity Members of the Exchange after July 2022 for the purpose of the Step-Up Added Liquidity Rebate calculation. See supra note 5.

<sup>9</sup> The Exchange excludes from its calculation of ADAV and ADV shares added or removed on any day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during regular trading hours, on any day with a scheduled early market close, and on the “Russell Reconstitution Day” (typically the last Friday in June). Routed shares are not included in the ADAV or ADV calculation. With prior notice to the Exchange, an Equity Member may aggregate ADAV or ADV with other Equity Members that control, are controlled by, or are under common control with such Equity Member (as evidenced on such Equity Member’s Form BD). See the Definitions Section of the Fee Schedule.

facilities to a consolidated transaction reporting plan for the month for which the fees apply.<sup>10</sup>

For example, prior to the effectiveness of this proposal, if an Equity Member had an ADAV as a percent of TCV of 0.01% in July 2022, then that Equity Member has to achieve an ADAV as a percent of TCV equal to or greater than 0.04% in any subsequent month in order to qualify for the Step-Up Added Liquidity Rebate.

### Proposal

The Exchange now proposes to amend Section 1)g) of the Fee Schedule to modify one aspect of the required criteria for Equity Members to receive the Step-Up Added Liquidity Rebate. In particular, the Exchange proposes to amend the baseline month from July 2022 to now be May 2023. With the proposed change, Equity Members will qualify for the Step-Up Added Liquidity Rebate by achieving a Step-Up ADAV as a % of TCV of at least 0.03% over the baseline month of May 2023.<sup>11</sup> Additionally, the Exchange proposes that the criteria to qualify for the Step-Up Added Liquidity Rebate will expire no later than September 29, 2023 (the last trading day for the month of September 2023, referred to herein as the “sunset period”).<sup>12</sup> The Exchange will issue an alert<sup>13</sup> to market participants should the Exchange

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<sup>10</sup> The Exchange excludes from its calculation of TCV volume on any given day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during Regular Trading Hours, on any day with a scheduled early market close, and on the “Russell Reconstitution Day” (typically the last Friday in June). See the Definitions Section of the Fee Schedule.

<sup>11</sup> The Exchange will continue use a baseline ADAV of 0.00% of TCV for firms that become Equity Members of the Exchange after May 2023 for the purpose of the Step-Up Added Liquidity Rebate calculation.

<sup>12</sup> The Exchange notes that at the end of the sunset period, the Step-Up Added Liquidity Rebate will no longer apply unless the Exchange files another 19b-4 Filing with the Commission to amend the criteria terms or update the baseline month to a more recent month.

<sup>13</sup> See, e.g., “MIAX Pearl Equities Exchange – June 1, 2023 Fee Changes,” available at <https://www.miaxglobal.com/alert/2023/05/31/miax-pearl-equities-exchange-june-1-2023-fee-changes>.

determine that the Step-Up Added Liquidity Rebate will expire earlier than September 29, 2023 or if the Exchange determines to amend the criteria or rate applicable to the Step-Up Added Liquidity Rebate prior to the end of the sunset period. The Exchange notes that at least one other competing equities exchange recently filed a proposal with a similar “sunset period” for one of its enhanced rebates subject to a baseline month comparison with a more recent month.<sup>14</sup>

The Exchange does not propose any other changes to the qualifying criteria for Equity Members to receive the Step-Up Added Liquidity Rebate. The Exchange also does not propose to amend the amount of the enhanced rebate of (\$0.0031) for Equity Members that qualify for the Step-Up Added Liquidity Rebate.

The purpose of this proposed change is update the baseline month to a more recent month as volume on the Exchange has increased since the Exchange originally adopted the Step-Up Added Liquidity Rebate. The Exchange believes that with the updated baseline month, the Step-Up Added Liquidity Rebate will continue to provide an incentive for Equity Members to strive for higher ADAV on the Exchange (above their ADAV in the baseline month of May 2023) to receive the enhanced rebate for qualifying executions of orders in securities priced at or above \$1.00 per share that add displayed liquidity to the Exchange. The Exchange believes that, with the proposed change to the baseline month, the Step-Up Added Liquidity Rebate will continue to encourage the submission of additional displayed added liquidity to the Exchange, thereby promoting price discovery and contributing to a deeper and more liquid market, which benefits all market participants and enhances the attractiveness of the Exchange as a trading venue. The Exchange also notes that MEMX recently filed a proposal to use a more recent month (April

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<sup>14</sup> See Securities Exchange Act Release No. 97462 (May 9, 2023), 88 FR 31077 (May 15, 2023) (SR-MEMX-2023-08); see also MEMX LLC (“MEMX”) Fee Schedule, Liquidity Provision Tiers, Tier 4, available at <https://info.memxtrading.com/fee-schedule/> (last visited June 7, 2023).

2023) as the baseline month for one of its enhanced Liquidity Provision Tiers (Tier 4) for MEMX's members to receive an enhanced rebate.<sup>15</sup> The purpose of including the proposed sunset period in the Fee Schedule is to provide clarity to Equity Members that, unless the Exchange determines to amend or otherwise modify the Step-Up Added Liquidity Rebate, the Step-Up Added Liquidity Rebate will expire at the end of the sunset period.

### Implementation

The proposed changes are immediately effective.

#### 2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>16</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>17</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among its Equity Members and issuers and other persons using its facilities and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange operates in a highly fragmented and competitive market in which market participants can readily direct their order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. More specifically, the Exchange is only one of sixteen registered equities exchanges, and there are a number of alternative trading systems and other off-exchange venues, to which market participants may direct their order flow. As of June 7, 2023, based on publicly available information, no single registered equities exchange currently has more than approximately 14-15% of the total market share of executed

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<sup>15</sup> See id.

<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(4).

volume of equities trading for the month of June 2023.<sup>18</sup> Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order flow, and the Exchange represents approximately 2.09% of the overall market share as of June 7, 2023 for the month of June 2023.<sup>19</sup> The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. 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 investors and listed companies.”<sup>20</sup>

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue to reduce use of certain categories of products, in response to new or different pricing structures being introduced into the market. Accordingly, competitive forces constrain the Exchange’s transaction fees and rebates, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable. The Exchange believes the proposal reflects a reasonable and competitive pricing structure designed to incentivize market participants to direct additional orders that add liquidity to the Exchange, which the Exchange believes would deepen liquidity and promote market quality on the Exchange to the benefit of all market participants.

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<sup>18</sup> See the “Market Share” Section of the Exchange’s website, [available at https://www.miaxglobal.com/](https://www.miaxglobal.com/) (last visited June 7, 2023).

<sup>19</sup> See id.

<sup>20</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37499 (June 29, 2005).



The Exchange notes that volume-based incentives and discounts (such as tiers) have been widely adopted by exchanges (including the Exchange), and believes they are reasonable, equitable and not unfairly discriminatory because they are available to all Equity Members on an equal basis, provide additional benefits or discounts that are reasonably related to the value of an exchange's market quality associated with higher levels of market activity (such as higher levels of liquidity provision and/or growth patterns), and the introduction of higher volumes of orders into the price and volume discovery process.

The Exchange believes its proposal to update the baseline month criteria for the Step-Up Added Liquidity Rebate is reasonable, equitably allocated and not unfairly discriminatory because volume on the Exchange has increased since the Exchange originally adopted the Step-Up Added Liquidity Rebate. The Exchange believes that with the updated baseline month, the Step-Up Added Liquidity Rebate will continue to provide an incentive for Equity Members to strive for higher ADAV on the Exchange (above their ADAV in the baseline month of May 2023) to receive the enhanced rebate for qualifying executions of orders in securities priced at or above \$1.00 per share that add displayed liquidity to the Exchange. The Exchange believes that the proposal is reasonable because even with the updated baseline month, the Step-Up Added Liquidity Rebate will continue to encourage the submission of added displayed liquidity to the Exchange, thereby promoting price discovery and contributing to a deeper and more liquid market, which benefits all market participants and enhances the attractiveness of the Exchange as a trading venue.

The Exchange believes that the Step-Up Added Liquidity Rebate, as modified by the proposed change to the baseline month, is reasonable, equitable and not unfairly discriminatory as the Step-Up Added Liquidity Rebate will continue to be available to all Equity Members on an equal basis, and is reasonably designed to encourage Equity Members to maintain or increase

their order flow in liquidity-adding volume. The Exchange believes this will continue to promote price discovery, enhance liquidity and market quality, and contribute to a more robust and well-balanced market ecosystem on the Exchange to the benefit of all Equity Members and market participants. The Exchange also notes that MEMX recently filed a proposal to use a more recent month (April 2023) as the baseline month for one of its enhanced Liquidity Provision Tiers (Tier 4) for MEMX's members to receive an enhanced rebate.<sup>21</sup>

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to include the sunset period in the Fee Schedule for the Step-Up Added Liquidity Rebate because it will provide clarity to Equity Members that, unless the Exchange determines to amend or otherwise modify the Step-Up Added Liquidity Rebate, the Step-Up Added Liquidity Rebate will expire at the end of the sunset period. This will allow Equity Members to take into account that the enhanced rebate provided for by the Step-Up Added Liquidity Rebate may be discontinued at the end of sunset period unless the Exchange announces otherwise and files a revised proposal with the Commission. The Exchange further notes that it will issue an alert to market participants should the Exchange determine that the Step-Up Added Liquidity Rebate will expire earlier than September 29, 2023 or if the Exchange determines to amend the criteria or rate applicable to the Step-Up Added Liquidity Rebate prior to the end of the sunset period. At least one other competing equities exchange provided a similar sunset period in its fee schedule for one of its enhanced rebates subject to a baseline month comparison with a more recent month.<sup>22</sup>

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to use a baseline ADAV of 0.00% of TCV for firms that become Equity Members of the Exchange after

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<sup>21</sup> See supra note 14.

<sup>22</sup> See id.

May 2023 for the purpose of the Step-Up Added Liquidity Rebate calculation because it will provide an additional incentive for prospective firms to become Equity Members. The Exchange believes this will incentivize new Equity Members to trade on the Exchange, which will add to price discovery, enhance liquidity and market quality, and contribute to a more robust and well-balanced market ecosystem on the Exchange to the benefit of all Equity Members and market participants. The Exchange notes that the proposed Step-Up Added Liquidity Rebate will not adversely impact any Equity Member's ability to qualify for reduced fees or enhanced rebates offered under other pricing tiers/incentives on the Exchange. Should an Equity Member not meet the required criteria, the Equity Member will merely not receive the corresponding enhanced rebate.

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

The Exchange believes that the proposed change will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Intramarket Competition

The Exchange does not believe that the proposal will impose any burden on intramarket competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the Step-Up Added Liquidity Rebate, as modified by this proposal, will continue to incentivize Equity Members to submit additional orders that add liquidity to the Exchange, thereby contributing to a deeper and more liquid market and promoting price discovery and market quality on the Exchange to the benefit of all market participants and enhancing the attractiveness of the Exchange as a trading venue, which the Exchange believes, in turn, would continue to encourage market participants to direct additional order flow to the Exchange.

The Exchange also believes that using a baseline ADAV of 0.00% of TCV for firms that become Equity Members of the Exchange after May 2023 for the purpose of the Step-Up Added Liquidity Rebate calculation will incentivize new Equity Members to trade on the Exchange, which will add to price discovery, enhance liquidity and market quality, and contribute to a more robust and well-balanced market ecosystem on the Exchange to the benefit of all Equity Members and market participants. Greater liquidity benefits all Equity Members by providing more trading opportunities and encourages Equity Members to send additional orders to the Exchange, thereby contributing to robust levels of liquidity, which benefits all market participants. As described above, the opportunity to qualify for the proposed new Step-Up Added Liquidity Rebate, and thus receive the proposed rebate for qualifying executions of orders in securities priced at or above \$1.00 per share that add displayed volume will continue to be available to all Equity Members that meet the associated volume requirement, and the Exchange believes the proposed update to the baseline month is reasonably related to the enhanced market quality that the Step-Up Added Liquidity Rebate is designed to promote. As such the Exchange does not believe the proposed changes would impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purpose of the Act.

The Exchange believes its proposal to include the sunset period in the Fee Schedule for the Step-Up Added Liquidity Rebate will not impose any burden on intramarket competition not necessary or appropriate in furtherance of the purposes of the Act because it will provide clarity to Equity Members that, unless the Exchange determines to amend or otherwise modify the Step-Up Added Liquidity Rebate, the Step-Up Added Liquidity Rebate will be discontinued at the end of the sunset period. This will allow Equity Members to take into account that the enhanced rebate provided for by the Step-Up Added Liquidity Rebate may be discontinued at the end of sunset period unless the Exchange announces otherwise. The Exchange further notes that it will

issue an alert to market participants should the Exchange determine that the Step-Up Added Liquidity Rebate will expire earlier than September 29, 2023 or if the Exchange determines to amend the criteria or rate applicable to the Step-Up Added Liquidity Rebate prior to the end of the sunset period. At least one other competing equities exchange provided a similar sunset period in its fee schedule for one of its enhanced rebates subject to a baseline month comparison with a more recent month.<sup>23</sup>

#### Intermarket Competition

The Exchange believes its proposal will benefit competition, and the Exchange notes that it operates in a highly competitive market. Equity Members have numerous alternative venues they may participate on and direct their order flow to, including fifteen other equities exchanges and numerous alternative trading systems and other off-exchange venues. As noted above, as of June 7, 2023, based on publicly available information, no single registered equities exchange currently has more than approximately 14-15% of the total market share of executed volume of equities trading for the month of June 2023.<sup>24</sup> Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order flow, and the Exchange represents approximately 2.09% of the overall market share as of June 7, 2023 for the month of June 2023.<sup>25</sup> Moreover, the Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow in response to new or different pricing structures being introduced to the market. Accordingly, competitive forces constrain the Exchange's transaction

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<sup>23</sup> See id.

<sup>24</sup> See the "Market Share" Section of the Exchange's website, available at <https://www.miaxglobal.com/> (last visited June 7, 2023).

<sup>25</sup> See id.

fees and rebates generally, including with respect to the criteria for Equity Members to achieve the Step-Up Added Liquidity Rebate, and market participants can readily choose to send their orders to other exchanges and off-exchange venues if they deem rebate criteria at those other venues to be more favorable.

As described above, the proposed changes represent a competitive proposal through which the Exchange is seeking to continue to encourage additional order flow to the Exchange through a volume-based incentive that is comparable to the criteria for volume-based incentives adopted by at least one other competing exchange which also updated its baseline month to a more recent month for a specific enhanced rebate that adds liquidity to that market.<sup>26</sup> Accordingly, the Exchange believes that its proposal would not burden, but rather promote, intermarket competition by enabling it to better compete with other exchanges that offer similar pricing incentives to market participants that achieve certain volume criteria and thresholds.

Additionally, the Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, 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 investors and listed companies.”<sup>27</sup> The fact that this market is competitive has also long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. circuit stated: “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national

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<sup>26</sup> See supra note **Error! Bookmark not defined.4**.

<sup>27</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

market system, buyers and sellers of securities, and the broker-dealers that act as their routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possess a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . .”<sup>28</sup> Accordingly, the Exchange does not believe its proposed pricing 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,<sup>29</sup> and Rule 19b-4(f)(2)<sup>30</sup> thereunder. At any time within 60 days<sup>30</sup> 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:

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<sup>28</sup> See NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSE-2006-21)).

<sup>29</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>30</sup> 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:rule-comments@sec.gov). Please include File Number SR-PEARL-2023-25 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-2023-25. 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-2023-25 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>31</sup>

Vanessa Countryman  
Secretary

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<sup>31</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5**

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

**MIAX Pearl Equities Exchange Fee Schedule**

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**1) Transaction Rebates/Fees**

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**g) Step-Up Added Liquidity Rebate**

Tier	Required Criteria	Securities Priced at or Above \$1.00
1	Step-Up ADAV as a % of TCV from [July 2022] <u>May 2023</u> ≥ 0.03% of the TCV. <u>This criteria will expire no later than September 29, 2023.</u>	No change.

The rebate provided for by the above table is applicable to the following fee codes: AA, AB, and AC.

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