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Page 1 of \* 40

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

File No. \* SR 2023 - \* 58

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"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input checked="" type="checkbox"/> 19b-4(f)(6)	Submit with link to Prefiling or Request for Waiver option
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Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

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

Amend Exchange Rules 2614(a)(1)(ix) and 2618(b)(1) to Amend Certain Risk Controls When Trading Equity Securities on MIAX Pearl Equities

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Chris	Last Name * Solgan
Title * VP, Senior Counsel	
E-mail * csolgan@miaxglobal.com	
Telephone * (609) 423-9414	Fax <input type="text"/>

**Signature**

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

Date 10/19/2023	(Title *) AVP, Associate Counsel
By Tanya Kitaigorovski (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.

*Tanya Kitaigorovski* Date: 2023.10.19 09:10:02 -0400

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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SR-PEARL-2023-58- 19b-4.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-2023-58 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-2023-58- Exhibit 5 updated

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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 the “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> is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend its existing risk controls for Equity Members<sup>3</sup> when trading equity securities on the Exchange’s equity trading platform (referred to herein as “MIAX Pearl Equities”).

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

(b) Not applicable.

(c) Not applicable.

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

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX Pearl Board of Directors on February 2, 2023. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action is necessary by the Exchange for the filing of the proposed rule change.

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

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

a. Purpose

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

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

<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.

The purpose of the proposed rule change is to amend certain existing risk controls when trading equity securities on MIAX Pearl Equities. To help Equity Members manage their risk, the Exchange currently offers Limit Order Price Protection and other risk controls that authorize the Exchange to take automated action if a designated limit for an Equity Member is breached. Such risk controls provide Equity Members with enhanced abilities to manage their risk when trading on the Exchange. The Exchange now proposes to amend Limit Order Price Protection under Exchange Rule 2614(a)(1)(ix) and Trading Collar under Exchange Rule 2618(b)(1) to enhance certain existing risk controls available to Equity Members. Each of these changes are described below.

*Limit Order Price Protection Reference Price*

Limit Order Price Protection is set forth under Exchange Rule 2614(a)(1)(ix) and provides for the cancellation of Limit Orders priced too far away from a specified reference price at the time the order first becomes eligible to trade. A Limit Order entered before Regular Trading Hours<sup>4</sup> that becomes eligible to trade during Regular Trading Hours will be subject to Limit Order Price Protection at the time Regular Trading Hours begins.<sup>5</sup>

Exchange Rule 2614(a)(1)(ix)(A) provides that a Limit Order to buy (sell) will be rejected if it is priced at or above (below) the greater of a specified dollar value and percentage away from the following: (1) the PBO for Limit Orders to buy, the PBB for Limit Orders to sell; (2) if the PBO or PBB is unavailable, the consolidated last sale price disseminated during the Regular Trading Hours on trade date; (3) if the PBO, PBB, and a consolidated last sale price are unavailable, the prior day's Official Closing Price identified as such by the primary listing

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<sup>4</sup> The term "Regular Trading Hours" means the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See Exchange Rule 1901.

<sup>5</sup> Further, a Limit Order in a security that is subject to a trading halt becomes first eligible to trade when the halt is lifted and continuous trading has resumed. See Exchange Rule 2614(a)(1)(ix)(C).

exchange, adjusted to account for events such as corporate actions and news events. Exchange Rule 2614(a)(1)(ix)(C) provides that Limit Order Price Protection will not be applied if the prices listed above are unavailable or if the Official Closing Price listed under paragraph (a)(1)(ix)(A)3. is to be applied and a regulatory halt has been declared by the primary listing market during that trading day. The Exchange proposes to reorganize Exchange Rule 2614(a)(1)(ix)(C) to place these provisions under subparagraphs 1. and 2., respectively. Equity Members have requested that Limit Order Price Protection also not be applied when no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market during that trading day. The consolidated last sale price disseminated prior to a regulatory halt likely does not appropriately relate to the current trading behavior of the security in such a scenario and Equity Members have informed the Exchange that they would prefer Limit Order Price Protections not be applied since it may result in their order being unnecessarily cancelled. The cancellation may be unnecessary because the specified reference price used to calculate whether the Limit Order should be cancelled was established prior to the security being halted and likely stale. A consolidated last sale disseminated following the conclusion of a regulatory halt would be much more indicative of the security's trading behavior.

This proposed change is similar to a recent proposal by the Exchange to amend Exchange Rule 2614(a)(1)(ix)(C) to provide that Limit Order Price Protection would not be applied when a regulatory halt has been declared by the primary listing market during that trading day and the Exchange would have applied the prior day's Official Closing Price because the PBO, PBB, and

a consolidated last sale price are unavailable.<sup>6</sup> Like in this proposal, the prior proposal was also in response to requests from Equity Members that Limit Order Price Protection not be applied when a stale reference price may be used. In the prior proposal, the concern was that the prior day's Official Closing Price would be used when the PBO, PBB, and a consolidated last sale price are unavailable and a trading halt has been declared by the primary listing market during that trading day because the Official Closing Price would not appropriately relate to the current trading behavior of the security in such a scenario. In such case, Equity Members preferred Limit Order Price Protection not be applied since it may result in their Limit Order being unnecessarily cancelled. The same is true here.

The Exchange, therefore, proposes to amend Exchange Rule 2614(a)(1)(ix)(C) to provide that Limit Order Price Protection would not be applied when no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market during that trading day. This provision would be codified under subparagraph .3 to reorganized Exchange Rule 2614(a)(1)(ix)(C).

### *Trading Collar*

In addition to the Limit Order Price Protection described above, the Exchange also prevents all incoming orders, including those marked ISO, from executing at a price outside the Trading Collar price range as described in Exchange Rule 2618(b). The Trading Collar prevents buy orders from trading or routing at prices above the collar and prevents sell orders from trading or routing at prices below the collar. The Trading Collar price range is calculated using the

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<sup>6</sup> See Securities Exchange Act Release No. 96205 (November 1, 2022), 87 FR 67080 (November 7, 2022) (SR-PEARL-2022-43).

greater of numerical guidelines for clearly erroneous executions under Exchange Rule 2621 or a specified dollar value established by the Exchange.

The Exchange proposes two changes to the application of the Trading Collar. First, the Exchange proposes to expand the times during which the Trading Collar is applied to include the Exchange's Opening and Re-Opening Process. Second, the Exchange proposes to not apply the Trading Collar in an additional case where the reference price that is to be used may be stale and not relate to current market conditions to avoid the unnecessary cancellation of orders.

#### *Trading Collar and Opening and Re-Opening Process*

The Exchange proposes to expand the times when the Trading Collar would be applied to include the Exchange's Opening and Re-Opening Process. Today, Trading Collars are applied to all orders, except those orders that are eligible to participate in the Exchange's Opening Process under Exchange Rule 2615. The Trading Collar is also not applied to all orders during the Exchange's Re-Opening Process.

The Exchange proposes to amend Exchange Rule 2618(b)(1) to no longer exclude orders that are eligible to participate in the Exchange's Opening Process from the Trading Collar protection. As proposed, Trading Collars would be applied to orders that are eligible to participate in the Exchange's Opening and Re-Opening Process. Limit Up-Limit Down price bands are disseminated by the applicable Securities Information Processor ("SIP") during Regular Trading Hours.<sup>7</sup> However, the SIP may not have begun to disseminate price bands at the beginning of a trading day or after a halt when the Exchange is to conduct its Opening or Re-Opening Process, as applicable. In such a scenario, Equity Members have expressed the need for additional protections around the opening and re-opening of trading where the Limit Up-Limit

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<sup>7</sup> See Sections I(S) and V(A)(1) of the Limit Up-Limit Down Plan.

Down price bands are not yet being disseminated by the applicable SIP. Therefore, the Exchange proposes to remove language from Exchange Rule 2618(b)(1) that states the Exchange will not apply the Trading Collar to orders that are eligible to participate in the Exchange's Opening Process.<sup>8</sup> Going forward as a result of this proposal, the Trading Collar would be applied to orders eligible to be executed in the Exchange's Opening and Re-Opening Process and such orders would be prevented from executing at a price outside the Trading Collar price range as described in Exchange Rule 2618(b).

#### *Trading Collar Reference Price*

Exchange Rule 2618(b)(1) provides that the Trading Collar price range is calculated based on a Trading Collar Reference Price and sets forth a sequence of prices to determine the Trading Collar Reference Price to be used if a certain reference price is unavailable. The Exchange first utilizes the consolidated last sale price disseminated during the Regular Trading Hours on the trade date as the Trading Collar Reference Price. If not available, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events is used. If neither are available to use as the Trading Collar Reference Price, the Exchange suspends the Trading Collar function in the interest of maintaining a fair and orderly market in the impacted security. The Exchange calculates the Trading Collar price range for a security by applying the Numerical Guideline and reference price to the Trading Collar Reference Price. The result is added to the Trading Collar Reference Price to determine the Trading Collar Price for buy orders, while the result is subtracted from the Trading Collar Reference Price to determine the Trading Collar Price for sell

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<sup>8</sup> Exchange Rule 2618(b)(1) does not address the Exchange's current practice of not applying the Trading Collar during the Re-Opening Process and, therefore, the Rule will reflect the proposed functionality once this proposal is implemented.



orders. Exchange Rule 2618(b)(1)(A) provides that the Trading Collar Reference Price is equal to the following: (i) consolidated last sale price disseminated during the Regular Trading Hours on trade date; or (ii) if (i) is not available, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events. Exchange Rule 2618(b)(1) further provides that upon entry, any portion of an order to buy (sell) that would execute at a price above (below) the Trading Collar Price is cancelled unless the price listed under paragraph (A)(ii) described above is to be applied and a regulatory halt has been declared by the primary listing market during that trading day. The Exchange proposes to reorganize Exchange Rule 2618(b)(1) to separately place these provisions under subparagraph (A) and (A)(i) respectively. As a result of this reorganization of Exchange Rule 2618(b)(1), the Exchange also proposes to update rule cross references within the rule and renumber the remainder of Exchange Rule 2618(b)(1) accordingly.

Like proposed above for Limit Order Price Protection, Equity Members have requested that the Trading Collar not be applied if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market on that trading day. The consolidated last sale price disseminated prior to a regulatory halt likely does not appropriately relate to the current trading behavior of the security in such a scenario and Equity Members have informed the Exchange that they would prefer the Trading Collar not be applied since it may result in their order being unnecessarily cancelled. The cancellation may be unnecessary because the specified reference price used to calculate whether the order should be cancelled was established prior to the security being halted and is likely stale. A consolidated last sale disseminated following the conclusion of a regulatory halt would be much more indicative of the security's trading behavior.

Like with the proposed change to Limit Order Price Protection discussed above, this proposed change is similar to a recent proposal by the Exchange to amend Exchange Rule 2618(b)(1) to provide that upon entry, an order priced outside the Trading Collar would not be canceled when a trading halt has been declared by the primary listing market during that trading day and the Exchange would have applied the prior day's Official Closing Price because the consolidated last sale price is unavailable.<sup>9</sup> Like in this proposal, the prior proposal was also in response to requests from Equity Members that the Trading Collar not be applied when a stale reference price may be used. In the prior proposal, the concern was that the prior day's Official Closing Price would be used when the consolidated last sale price is unavailable and a trading halt has been declared by the primary listing market during that trading day because the Official Closing Price would not appropriately relate to the current trading behavior of the security in such a scenario. In such case, Equity Members preferred the Trading Collar not be applied since it may result in their order being unnecessarily cancelled. Again, the same is true here. The Exchange, therefore, proposes to amend Exchange Rule 2618(b)(1) to provide that upon entry, an order priced outside the Trading Collar would not be canceled if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market on that trading day. In such case, the Exchange would accept such an order and post it on the MIAX Pearl Equities Book at its limit price.<sup>10</sup> This provision would be codified under subparagraph (ii) of reorganized Exchange Rule 2618(b)(1)(A).

\* \* \* \* \*

The Exchange does not guarantee that the risk settings in this proposal are sufficiently

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<sup>9</sup> See supra note 6.

<sup>10</sup> In such case, a Limit Order would continue to be subject to the Exchange's applicable re-pricing processes. See Exchange Rule 2614(a)(1)(v) – (viii).

comprehensive to meet all of an Equity Member's risk management needs. Pursuant to Rule 15c3-5 under the Act,<sup>11</sup> a broker-dealer with market access must perform appropriate due diligence to assure that controls are reasonably designed to be effective, and otherwise consistent with the rule.<sup>12</sup> Use of the Exchange's risk settings included in Exchange Rule 2618 will not automatically constitute compliance with Exchange or federal rules and responsibility for compliance with all Exchange and SEC rules remains with the Equity Member.

### Implementation

Due to the technological changes associated with this proposed change, the Exchange will issue a trading alert publicly announcing the implementation date of the proposed enhancements to its risk controls set forth herein. The Exchange anticipates that the implementation date will be in the fourth quarter of 2023 or first quarter of 2024.

#### b. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>13</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>14</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the Exchange

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<sup>11</sup> 17 CFR § 240.15c3-5.

<sup>12</sup> See Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access, available at <https://www.sec.gov/divisions/marketreg/faq-15c-5-risk-management-controls-bd.htm>.

<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

believes the proposed amendments will remove impediments to and perfect the mechanism of a free and open market and a national market system because the augmented functionality is being proposed in response to Equity Member feedback as part of their efforts to appropriately manage their risk.

*Trading Collar and Opening and Re-Opening Process*

The Exchange's proposal to amend Exchange Rule 2618(b)(1) to no longer exclude orders that are eligible to participate in the Exchange's Opening and Re-Opening Process from the Trading Collar protection promotes just and equitable principles of trade and protects investors and the public interest because it would provide Equity Members with additional protections around the opening of trading where the Limit Up-Limit Down price bands are not yet being disseminated by the applicable SIP. Equity Members have expressed the desire for Trading Collar to be applied to orders eligible to be executed in the Exchange's Opening and Re-Opening Process and to prevent such orders from executing at a price outside the Trading Collar price range as described in Exchange Rule 2618(b). By no longer excluding the Opening and Re-Opening Process, the proposal expands the time by which the Trading Collar would be applied to include all orders entered during Regular Trading Hours. Doing so should prevent orders from being executed in the Exchange's Opening and Re-Opening Process at undesirable prices that would have otherwise been outside of the Trading Collar. The proposal, therefore, protects investors and the public interest by preventing orders from executing outside of the Trading Collar price range and resulting in unwanted executions. The Exchange notes that at least one other national securities exchange also applies trading collars in such a scenario.<sup>15</sup>

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<sup>15</sup> See New York Stock Exchange, Inc. ("NYSE") Rule 7.31(a)(1)(B). NYSE applies trading collars during Core Trading Hours. Core trading hours are defined under NYSE 7.34(a)(2) (providing, in sum, that for UTP Securities, the Core Trading Session will begin for each security at 9:30 a.m. and end at the conclusion of

*Limit Order Price Protection and Trading Collar Reference Price*

The proposal to not apply Limit Order Price Protection and the Trading Collar if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market on that trading day promotes just and equitable principles of trade because in such a scenario the consolidated last sale price disseminated prior to a regulatory halt does not likely appropriately relate to the current trading behavior of the security and may result in an order being unnecessarily cancelled.<sup>16</sup> Equity Members are free to not enter orders during such times and enter such orders later when Limit Order Price Protection and Trading Collars are in effect. The Exchange notes that this proposal is an extension of similar change it recently made in response to feedback from Equity Members to not apply Limit Order Price Protection or Trading Collars when the prior day's Official Closing Price is to be used when the PBO, PBB (for Limit Order Price Protection), and a consolidated last sale price are unavailable and a trading halt has been declared by the primary listing market during that trading day.<sup>17</sup>

As described above, the Exchange is expanding the scope of the Trading Collars to include the entire trading day by no longer excluding orders eligible to participate in the Exchange's Opening and Re-Opening Process from the protection. This will result in more orders being subject to the protection and being prevented from possibly executing at prices outside of the Trading Collar range. Not applying Limit Order Price Protection and Trading Collar

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Core Trading Hours and for Exchange-listed securities, the Core Trading Session will begin for each security with the Core Open Auction, which can take place during Core Trading Hours only).

<sup>16</sup> The Exchange notes that it will still apply Limit Order Price Protection where there is a PBB or PBO. See Exchange Rule 2614(a)(1)(ix)(A) (providing that a Limit Order to buy (sell) will be rejected if it is priced at or above (below) the greater of a specified dollar value and percentage away from the following: (1) the PBO for Limit Orders to buy, the PBB for Limit Orders to sell ...).

<sup>17</sup> See supra note 6.

if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt as proposed herein, does not offset the expansion of time the Trading Collar is applied, nor does it create an inappropriate gap in the trading day where orders would not be protected. Rather, it seeks to address a small period of time following a regulatory halt where no consolidated last sale has been disseminated. This may result in orders being unnecessarily cancelled due to the Trading Collar or Limit Order Price Protection ranges being based on a stale reference price. The Exchange also anticipates that this will be an infrequent occurrence since it requires either a first trade and/or two-sided quotation to perform its Re-Opening Process.<sup>18</sup> Any potential time period during which the Trading Collar or Limit Order Price Protection would not be applied is likely to be rare and very short because the Re-Opening Process only occurs without a reported trade where the primary listing exchange did not publish a trade within one second of publication of its first two-sided quotation.

These proposed changes to Limit Order Price Protection and the Trading Collar are similar to a recent proposal by the Exchange to not apply Limit Order Price Protection or the Trading Collar when a trading halt has been declared by the primary listing market during that trading day and the Exchange would have applied the prior day's Official Closing Price as the reference price.<sup>19</sup> Like in this proposal, the prior proposal was also in response to requests from Equity Members that Limit Order Price Protection and the Trading Collar not be applied when a stale reference price may be used. In the prior proposal, the concern was that the prior day's

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<sup>18</sup> See Exchange Rule 2615(e)(1)(ii) (stating that the Re-Opening Process will occur at the midpoint of the: (i) first NBBO subsequent to the **first reported trade** and first two-sided quotation on the primary listing exchange following the resumption of trading after a halt, suspension, or pause; or (ii) NBBO when the first two-sided quotation is published by the primary listing exchange following the resumption of trading after a halt, suspension, or pause **if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation** by the listing exchange (**emphasis added**).

<sup>19</sup> See supra note 6.

Official Closing Price would be used when the consolidated last sale price is unavailable and a trading halt has been declared by the primary listing market during that trading day because the Official Closing Price would not appropriately relate to the current trading behavior of the security in such a scenario. In such case, Equity Members preferred Limit Order Price Protection and the Trading Collar not be applied since it may result in their order being unnecessarily cancelled. Again, the same is true for this proposal.

#### *Rule Reorganization*

The reorganization of Exchange Rules 2614(a)(1)(ix)(C) and 2618(b)(1) removes impediments to and perfects the mechanism of a free and open market and a national market system because these changes make each rule easier to comprehend, reducing the potential for inadvertent investor confusion.

#### **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.

#### *Trading Collar and Opening and Re-Opening Process*

The Exchange believes its proposal to expand the application of the Trading Collar to include the Opening and Re-Opening Process will not impose any burden on inter-market competition because it could serve to improve the Exchange's market quality by expanding the application of this risk protection to include all times during Regular Trading Hours and preventing executions during the Exchange's Opening and Re-Opening Process at undesirable prices that would have been outside of the Trading Collar. The Exchange believes that the proposal may have a positive effect on competition because it would allow the Exchange to apply

Trading Collar during timeframes similar to at least one other national securities exchange.<sup>20</sup> The proposal would impose no burden on intra-market competition because each risk setting would be applied to all Equity Members' orders equally.

*Limit Order Price Protection and Trading Collar Reference Price*

The Exchange believes its proposal to not apply Limit Order Price Protection and the Trading Collar if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt does not burden inter-market competition because it could improve confidence in the Exchange's overall execution quality by preventing orders from being unnecessarily canceled due to stale reference prices.<sup>21</sup> Further, this proposed rule change may increase confidence in the proper functioning of the Exchange and contribute to additional competition among trading venues. Rather than impede competition, the proposal is designed to avoid the unwanted cancelation of orders following a regulatory halt, which, in turn, could enhance the integrity of trading on the Exchange. These proposals also would not burden intra-market competition because it would apply to all Equity Members equally and all Equity Members' orders would not be subject to the applicable protection where it would be based on a stale reference price and result in an unnecessary cancelation of the order, as described here.

*Rule Reorganization*

The reorganization of Exchange Rules 2614(a)(1)(ix)(C) and 2618(b)(1) would not impact competition because such changes would not enhance or alter the Exchange's ability to compete, but rather, make each rule easier to comprehend, reducing the potential for inadvertent investor confusion.

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<sup>20</sup> See NYSE Rules 7.31(a)(1)(B) and 7.34(a)(2)(B).

<sup>21</sup> See *supra* note 16.



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

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

Not applicable.

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

Pursuant to Section 19(b)(3)(A) of the Act<sup>22</sup> and Rule 19b-4(f)(6)<sup>23</sup> thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. On balance, the proposal expands and optimizes risk mitigation functionality offered by the Exchange to aid Equity Members with minimizing their financial exposure and reducing the potential for disruptive, unwanted order cancellations in certain scenarios.

The Exchange believes that the proposed rule change is designed to protect investors and the public interest because it serves to expand the application of the Trading Collar to the entire trading day while also seeking to ensure Limit Order Price Protection and the Trading Collar do not use stale reference prices that could result in unwanted cancellations. Specifically, the proposal to apply the Trading Collar during the Opening and Re-Opening Process does not significantly affect the protection of investors or the public interest, nor does it impose any

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<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f)(6).

significant burden on competition because it would prevent executions from occurring during the Exchange's Opening or Re-Opening Process at undesirable prices that might not be consistent with the Equity Member's trading objectives. This proposal would allow the Exchange to apply the Trading Collar during timeframes similar to that of at least one other national securities exchange.<sup>24</sup> Therefore, this portion of the proposal does not raise any new or novel issues not already considered by the Commission.

The Exchange believes its proposal to not apply Limit Order Price Protection and the Trading Collar if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt does not significantly affect the protection of investors or the public interest because it is intended to avoid orders from being unnecessarily canceled due to stale reference prices. Further, this proposed rule change does not impose any significant burden on competition because it may increase confidence in the proper functioning of the Exchange and contribute to additional competition among trading venues.

Lastly, the reorganization of Exchange Rules 2614(a)(1)(ix)(C) and 2618(b)(1) also would protect investors and the public interest because it makes each rule easier to comprehend, reducing the potential for inadvertent investor confusion.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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<sup>24</sup> See NYSE Rules 7.31(a)(1)(B) and 7.34(a)(2)(B).

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

The proposed amendments to Exchange Rule 2618(a)(1) to apply the Trading Collar during the Opening Process is based on NYSE Rules 7.31(a)(1)(B) and 7.34(a)(2)(B).

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

Not applicable.

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

Not applicable.

**11. Exhibits**

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

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-PEARL-2023-58)

October \_\_, 2023

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC to Amend Exchange Rules 2614(a)(1)(ix) and 2618(b)(1) to Amend Certain Risk Controls When Trading Equity Securities on MIAX Pearl Equities

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 October \_\_ 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 proposes to amend its existing risk controls for Equity Members<sup>3</sup> when trading equity securities on the Exchange’s equity trading platform (referred to herein as “MIAX Pearl Equities”).

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

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

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

<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.

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 purpose of the proposed rule change is to amend certain existing risk controls when trading equity securities on MIAX Pearl Equities. To help Equity Members manage their risk, the Exchange currently offers Limit Order Price Protection and other risk controls that authorize the Exchange to take automated action if a designated limit for an Equity Member is breached. Such risk controls provide Equity Members with enhanced abilities to manage their risk when trading on the Exchange. The Exchange now proposes to amend Limit Order Price Protection under Exchange Rule 2614(a)(1)(ix) and Trading Collar under Exchange Rule 2618(b)(1) to enhance certain existing risk controls available to Equity Members. Each of these changes are described below.

*Limit Order Price Protection Reference Price*

Limit Order Price Protection is set forth under Exchange Rule 2614(a)(1)(ix) and provides for the cancellation of Limit Orders priced too far away from a specified reference price at the time the order first becomes eligible to trade. A Limit Order entered before Regular Trading Hours<sup>4</sup> that becomes eligible to trade during Regular Trading Hours will be subject to Limit Order Price Protection at the time Regular Trading Hours begins.<sup>5</sup>

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<sup>4</sup> The term "Regular Trading Hours" means the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See Exchange Rule 1901.

<sup>5</sup> Further, a Limit Order in a security that is subject to a trading halt becomes first eligible to trade when the halt is lifted and continuous trading has resumed. See Exchange Rule 2614(a)(1)(ix)(C).

Exchange Rule 2614(a)(1)(ix)(A) provides that a Limit Order to buy (sell) will be rejected if it is priced at or above (below) the greater of a specified dollar value and percentage away from the following: (1) the PBO for Limit Orders to buy, the PBB for Limit Orders to sell; (2) if the PBO or PBB is unavailable, the consolidated last sale price disseminated during the Regular Trading Hours on trade date; (3) if the PBO, PBB, and a consolidated last sale price are unavailable, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events. Exchange Rule 2614(a)(1)(ix)(C) provides that Limit Order Price Protection will not be applied if the prices listed above are unavailable or if the Official Closing Price listed under paragraph (a)(1)(ix)(A)3. is to be applied and a regulatory halt has been declared by the primary listing market during that trading day. The Exchange proposes to reorganize Exchange Rule 2614(a)(1)(ix)(C) to place these provisions under subparagraphs 1. and 2., respectively. Equity Members have requested that Limit Order Price Protection also not be applied when no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market during that trading day. The consolidated last sale price disseminated prior to a regulatory halt likely does not appropriately relate to the current trading behavior of the security in such a scenario and Equity Members have informed the Exchange that they would prefer Limit Order Price Protections not be applied since it may result in their order being unnecessarily cancelled. The cancellation may be unnecessary because the specified reference price used to calculate whether the Limit Order should be cancelled was established prior to the security being halted and likely stale. A consolidated last sale disseminated following the conclusion of a regulatory halt would be much more indicative of the security's trading behavior.

This proposed change is similar to a recent proposal by the Exchange to amend Exchange Rule 2614(a)(1)(ix)(C) to provide that Limit Order Price Protection would not be applied when a regulatory halt has been declared by the primary listing market during that trading day and the Exchange would have applied the prior day's Official Closing Price because the PBO, PBB, and a consolidated last sale price are unavailable.<sup>6</sup> Like in this proposal, the prior proposal was also in response to requests from Equity Members that Limit Order Price Protection not be applied when a stale reference price may be used. In the prior proposal, the concern was that the prior day's Official Closing Price would be used when the PBO, PBB, and a consolidated last sale price are unavailable and a trading halt has been declared by the primary listing market during that trading day because the Official Closing Price would not appropriately relate to the current trading behavior of the security in such a scenario. In such case, Equity Members preferred Limit Order Price Protection not be applied since it may result in their Limit Order being unnecessarily cancelled. The same is true here.

The Exchange, therefore, proposes to amend Exchange Rule 2614(a)(1)(ix)(C) to provide that Limit Order Price Protection would not be applied when no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market during that trading day. This provision would be codified under subparagraph .3 to reorganized Exchange Rule 2614(a)(1)(ix)(C).

### *Trading Collar*

In addition to the Limit Order Price Protection described above, the Exchange also prevents all incoming orders, including those marked ISO, from executing at a price outside the Trading Collar price range as described in Exchange Rule 2618(b). The Trading Collar prevents

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<sup>6</sup> See Securities Exchange Act Release No. 96205 (November 1, 2022), 87 FR 67080 (November 7, 2022) (SR-PEARL-2022-43).

buy orders from trading or routing at prices above the collar and prevents sell orders from trading or routing at prices below the collar. The Trading Collar price range is calculated using the greater of numerical guidelines for clearly erroneous executions under Exchange Rule 2621 or a specified dollar value established by the Exchange.

The Exchange proposes two changes to the application of the Trading Collar. First, the Exchange proposes to expand the times during which the Trading Collar is applied to include the Exchange's Opening and Re-Opening Process. Second, the Exchange proposes to not apply the Trading Collar in an additional case where the reference price that is to be used may be stale and not relate to current market conditions to avoid the unnecessary cancellation of orders.

#### *Trading Collar and Opening and Re-Opening Process*

The Exchange proposes to expand the times when the Trading Collar would be applied to include the Exchange's Opening and Re-Opening Process. Today, Trading Collars are applied to all orders, except those orders that are eligible to participate in the Exchange's Opening Process under Exchange Rule 2615. The Trading Collar is also not applied to all orders during the Exchange's Re-Opening Process.

The Exchange proposes to amend Exchange Rule 2618(b)(1) to no longer exclude orders that are eligible to participate in the Exchange's Opening Process from the Trading Collar protection. As proposed, Trading Collars would be applied to orders that are eligible to participate in the Exchange's Opening and Re-Opening Process. Limit Up-Limit Down price bands are disseminated by the applicable Securities Information Processor ("SIP") during Regular Trading Hours.<sup>7</sup> However, the SIP may not have begun to disseminate price bands at the beginning of a trading day or after a halt when the Exchange is to conduct its Opening or Re-

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<sup>7</sup> See Sections I(S) and V(A)(1) of the Limit Up-Limit Down Plan.



Opening Process, as applicable. In such a scenario, Equity Members have expressed the need for additional protections around the opening and re-opening of trading where the Limit Up-Limit Down price bands are not yet being disseminated by the applicable SIP. Therefore, the Exchange proposes to remove language from Exchange Rule 2618(b)(1) that states the Exchange will not apply the Trading Collar to orders that are eligible to participate in the Exchange's Opening Process.<sup>8</sup> Going forward as a result of this proposal, the Trading Collar would be applied to orders eligible to be executed in the Exchange's Opening and Re-Opening Process and such orders would be prevented from executing at a price outside the Trading Collar price range as described in Exchange Rule 2618(b).

#### *Trading Collar Reference Price*

Exchange Rule 2618(b)(1) provides that the Trading Collar price range is calculated based on a Trading Collar Reference Price and sets forth a sequence of prices to determine the Trading Collar Reference Price to be used if a certain reference price is unavailable. The Exchange first utilizes the consolidated last sale price disseminated during the Regular Trading Hours on the trade date as the Trading Collar Reference Price. If not available, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events is used. If neither are available to use as the Trading Collar Reference Price, the Exchange suspends the Trading Collar function in the interest of maintaining a fair and orderly market in the impacted security. The Exchange calculates the Trading Collar price range for a security by applying the Numerical Guideline and reference price to the Trading Collar Reference Price. The result is added to the Trading Collar Reference Price to determine the Trading Collar Price for buy orders, while the result is

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<sup>8</sup> Exchange Rule 2618(b)(1) does not address the Exchange's current practice of not applying the Trading Collar during the Re-Opening Process and, therefore, the Rule will reflect the proposed functionality once this proposal is implemented.

subtracted from the Trading Collar Reference Price to determine the Trading Collar Price for sell orders. Exchange Rule 2618(b)(1)(A) provides that the Trading Collar Reference Price is equal to the following: (i) consolidated last sale price disseminated during the Regular Trading Hours on trade date; or (ii) if (i) is not available, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events. Exchange Rule 2618(b)(1) further provides that upon entry, any portion of an order to buy (sell) that would execute at a price above (below) the Trading Collar Price is cancelled unless the price listed under paragraph (A)(ii) described above is to be applied and a regulatory halt has been declared by the primary listing market during that trading day. The Exchange proposes to reorganize Exchange Rule 2618(b)(1) to separately place these provisions under subparagraph (A) and (A)(i) respectively. As a result of this reorganization of Exchange Rule 2618(b)(1), the Exchange also proposes to update rule cross references within the rule and renumber the remainder of Exchange Rule 2618(b)(1) accordingly.

Like proposed above for Limit Order Price Protection, Equity Members have requested that the Trading Collar not be applied if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market on that trading day. The consolidated last sale price disseminated prior to a regulatory halt likely does not appropriately relate to the current trading behavior of the security in such a scenario and Equity Members have informed the Exchange that they would prefer the Trading Collar not be applied since it may result in their order being unnecessarily cancelled. The cancellation may be unnecessary because the specified reference price used to calculate whether the order should be cancelled was established prior to the security being halted and is likely stale. A consolidated last sale disseminated following the conclusion of a regulatory halt would be much more indicative of the security's trading behavior.

Like with the proposed change to Limit Order Price Protection discussed above, this proposed change is similar to a recent proposal by the Exchange to amend Exchange Rule 2618(b)(1) to provide that upon entry, an order priced outside the Trading Collar would not be canceled when a trading halt has been declared by the primary listing market during that trading day and the Exchange would have applied the prior day's Official Closing Price because the consolidated last sale price is unavailable.<sup>9</sup> Like in this proposal, the prior proposal was also in response to requests from Equity Members that the Trading Collar not be applied when a stale reference price may be used. In the prior proposal, the concern was that the prior day's Official Closing Price would be used when the consolidated last sale price is unavailable and a trading halt has been declared by the primary listing market during that trading day because the Official Closing Price would not appropriately relate to the current trading behavior of the security in such a scenario. In such case, Equity Members preferred the Trading Collar not be applied since it may result in their order being unnecessarily cancelled. Again, the same is true here.

The Exchange, therefore, proposes to amend Exchange Rule 2618(b)(1) to provide that upon entry, an order priced outside the Trading Collar would not be canceled if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market on that trading day. In such case, the Exchange would accept such an order and post it on the MIAX Pearl Equities Book at its limit price.<sup>10</sup> This provision would be codified under subparagraph (ii) of reorganized Exchange Rule 2618(b)(1)(A).

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<sup>9</sup> See supra note 6.

<sup>10</sup> In such case, a Limit Order would continue to be subject to the Exchange's applicable re-pricing processes. See Exchange Rule 2614(a)(1)(v) – (viii).

The Exchange does not guarantee that the risk settings in this proposal are sufficiently comprehensive to meet all of an Equity Member's risk management needs. Pursuant to Rule 15c3-5 under the Act,<sup>11</sup> a broker-dealer with market access must perform appropriate due diligence to assure that controls are reasonably designed to be effective, and otherwise consistent with the rule.<sup>12</sup> Use of the Exchange's risk settings included in Exchange Rule 2618 will not automatically constitute compliance with Exchange or federal rules and responsibility for compliance with all Exchange and SEC rules remains with the Equity Member.

### Implementation

Due to the technological changes associated with this proposed change, the Exchange will issue a trading alert publicly announcing the implementation date of the proposed enhancements to its risk controls set forth herein. The Exchange anticipates that the implementation date will be in the fourth quarter of 2023 or first quarter of 2024.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>13</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>14</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market

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<sup>11</sup> 17 CFR § 240.15c3-5.

<sup>12</sup> See Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access, available at <https://www.sec.gov/divisions/marketreg/faq-15c-5-risk-management-controls-bd.htm>.

<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

system, and, in general, to protect investors and the public interest. Specifically, the Exchange believes the proposed amendments will remove impediments to and perfect the mechanism of a free and open market and a national market system because the augmented functionality is being proposed in response to Equity Member feedback as part of their efforts to appropriately manage their risk.

#### *Trading Collar and Opening and Re-Opening Process*

The Exchange's proposal to amend Exchange Rule 2618(b)(1) to no longer exclude orders that are eligible to participate in the Exchange's Opening and Re-Opening Process from the Trading Collar protection promotes just and equitable principles of trade and protects investors and the public interest because it would provide Equity Members with additional protections around the opening of trading where the Limit Up-Limit Down price bands are not yet being disseminated by the applicable SIP. Equity Members have expressed the desire for Trading Collar to be applied to orders eligible to be executed in the Exchange's Opening and Re-Opening Process and to prevent such orders from executing at a price outside the Trading Collar price range as described in Exchange Rule 2618(b). By no longer excluding the Opening and Re-Opening Process, the proposal expands the time by which the Trading Collar would be applied to include all orders entered during Regular Trading Hours. Doing so should prevent orders from being executed in the Exchange's Opening and Re-Opening Process at undesirable prices that would have otherwise been outside of the Trading Collar. The proposal, therefore, protects investors and the public interest by preventing orders from executing outside of the Trading Collar price range and resulting in unwanted executions. The Exchange notes that at least one other national securities exchange also applies trading collars in such a scenario.<sup>15</sup>

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<sup>15</sup> See New York Stock Exchange, Inc. ("NYSE") Rule 7.31(a)(1)(B). NYSE applies trading collars during Core Trading Hours. Core trading hours are defined under NYSE 7.34(a)(2) (providing, in sum, that for UTP Securities, the Core Trading Session will begin for each security at 9:30 a.m. and end at the conclusion of

*Limit Order Price Protection and Trading Collar Reference Price*

The proposal to not apply Limit Order Price Protection and the Trading Collar if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market on that trading day promotes just and equitable principles of trade because in such a scenario the consolidated last sale price disseminated prior to a regulatory halt does not likely appropriately relate to the current trading behavior of the security and may result in an order being unnecessarily cancelled.<sup>16</sup> Equity Members are free to not enter orders during such times and enter such orders later when Limit Order Price Protection and Trading Collars are in effect. The Exchange notes that this proposal is an extension of similar change it recently made in response to feedback from Equity Members to not apply Limit Order Price Protection or Trading Collars when the prior day's Official Closing Price is to be used when the PBO, PBB (for Limit Order Price Protection), and a consolidated last sale price are unavailable and a trading halt has been declared by the primary listing market during that trading day.<sup>17</sup>

As described above, the Exchange is expanding the scope of the Trading Collars to include the entire trading day by no longer excluding orders eligible to participate in the Exchange's Opening and Re-Opening Process from the protection. This will result in more orders being subject to the protection and being prevented from possibly executing at prices outside of the Trading Collar range. Not applying Limit Order Price Protection and Trading Collar

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Core Trading Hours and for Exchange-listed securities, the Core Trading Session will begin for each security with the Core Open Auction, which can take place during Core Trading Hours only).

<sup>16</sup> The Exchange notes that it will still apply Limit Order Price Protection where there is a PBB or PBO. See Exchange Rule 2614(a)(1)(ix)(A) (providing that a Limit Order to buy (sell) will be rejected if it is priced at or above (below) the greater of a specified dollar value and percentage away from the following: (1) the PBO for Limit Orders to buy, the PBB for Limit Orders to sell ...).

<sup>17</sup> See supra note 6.

if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt as proposed herein, does not offset the expansion of time the Trading Collar is applied, nor does it create an inappropriate gap in the trading day where orders would not be protected. Rather, it seeks to address a small period of time following a regulatory halt where no consolidated last sale has been disseminated. This may result in orders being unnecessarily cancelled due to the Trading Collar or Limit Order Price Protection ranges being based on a stale reference price. The Exchange also anticipates that this will be an infrequent occurrence since it requires either a first trade and/or two-sided quotation to perform its Re-Opening Process.<sup>18</sup> Any potential time period during which the Trading Collar or Limit Order Price Protection would not be applied is likely to be rare and very short because the Re-Opening Process only occurs without a reported trade where the primary listing exchange did not publish a trade within one second of publication of its first two-sided quotation.

These proposed changes to Limit Order Price Protection and the Trading Collar are similar to a recent proposal by the Exchange to not apply Limit Order Price Protection or the Trading Collar when a trading halt has been declared by the primary listing market during that trading day and the Exchange would have applied the prior day's Official Closing Price as the reference price.<sup>19</sup> Like in this proposal, the prior proposal was also in response to requests from Equity Members that Limit Order Price Protection and the Trading Collar not be applied when a stale reference price may be used. In the prior proposal, the concern was that the prior day's Official Closing Price would be used when the consolidated last sale price is unavailable and a

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<sup>18</sup> See Exchange Rule 2615(e)(1)(ii) (stating that the Re-Opening Process will occur at the midpoint of the: (i) first NBBO subsequent to the **first reported trade** and first two-sided quotation on the primary listing exchange following the resumption of trading after a halt, suspension, or pause; or (ii) NBBO when the first two-sided quotation is published by the primary listing exchange following the resumption of trading after a halt, suspension, or pause **if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation** by the listing exchange (**emphasis added**)).

<sup>19</sup> See supra note 6.

trading halt has been declared by the primary listing market during that trading day because the Official Closing Price would not appropriately relate to the current trading behavior of the security in such a scenario. In such case, Equity Members preferred Limit Order Price Protection and the Trading Collar not be applied since it may result in their order being unnecessarily cancelled. Again, the same is true for this proposal.

#### *Rule Reorganization*

The reorganization of Exchange Rules 2614(a)(1)(ix)(C) and 2618(b)(1) removes impediments to and perfects the mechanism of a free and open market and a national market system because these changes make each rule easier to comprehend, reducing the potential for inadvertent investor confusion.

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

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

#### *Trading Collar and Opening and Re-Opening Process*

The Exchange believes its proposal to expand the application of the Trading Collar to include the Opening and Re-Opening Process will not impose any burden on inter-market competition because it could serve to improve the Exchange's market quality by expanding the application of this risk protection to include all times during Regular Trading Hours and preventing executions during the Exchange's Opening and Re-Opening Process at undesirable prices that would have been outside of the Trading Collar. The Exchange believes that the proposal may have a positive effect on competition because it would allow the Exchange to apply Trading Collar during timeframes similar to at least one other national securities exchange.<sup>20</sup> The

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<sup>20</sup> See NYSE Rules 7.31(a)(1)(B) and 7.34(a)(2)(B).



proposal would impose no burden on intra-market competition because each risk setting would be applied to all Equity Members' orders equally.

*Limit Order Price Protection and Trading Collar Reference Price*

The Exchange believes its proposal to not apply Limit Order Price Protection and the Trading Collar if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt does not burden inter-market competition because it could improve confidence in the Exchange's overall execution quality by preventing orders from being unnecessarily canceled due to stale reference prices.<sup>21</sup> Further, this proposed rule change may increase confidence in the proper functioning of the Exchange and contribute to additional competition among trading venues. Rather than impede competition, the proposal is designed to avoid the unwanted cancelation of orders following a regulatory halt, which, in turn, could enhance the integrity of trading on the Exchange. These proposals also would not burden intra-market competition because it would apply to all Equity Members equally and all Equity Members' orders would not be subject to the applicable protection where it would be based on a stale reference price and result in an unnecessary cancelation of the order, as described here.

*Rule Reorganization*

The reorganization of Exchange Rules 2614(a)(1)(ix)(C) and 2618(b)(1) would not impact competition because such changes would not enhance or alter the Exchange's ability to compete, but rather, make each rule easier to comprehend, reducing the potential for inadvertent investor confusion.

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.

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<sup>21</sup> See supra note 16.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>22</sup> and Rule 19b-4(f)(6)<sup>23</sup> thereunder.

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

### IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<https://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-

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<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

PEARL-2023-58 on the subject line.

Paper comments:

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

All submissions should refer to file number SR-PEARL-2023-58. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the 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-2023-58 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

Sherry R. Haywood,  
Assistant Secretary

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<sup>24</sup> 17 CFR 200.30-3(a)(12).

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

## MIAX PEARL, LLC Rules

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### Rule 2614. Orders and Order Instructions

Users may enter into the System the types of orders listed in this Exchange Rule 2614, subject to the limitations set forth in this Exchange Rule or elsewhere in these Rules. Order, instruction, and parameter combinations which are disallowed by the Exchange or incompatible by their terms, will be rejected, ignored, or overridden by the Exchange, as determined by the Exchange to facilitate the most orderly handling of User instructions.

#### (a) General Order Types.

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

(i) – (viii) (No change).

#### (ix) Limit Order Price Protection.

(A) **Acceptance of Orders.** A Limit Order to buy (sell) will be rejected if it is priced at or above (below) the greater of a specified dollar and percentage away from the following:

1. PBO for Limit Orders to buy, the PBB for Limit Orders to sell;
2. if 1. is unavailable, consolidated last sale price disseminated during the Regular Trading Hours on trade date; or
3. if neither 1. or 2. are available, the prior day’s Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events.

(B) **Specified Percentage Elections.** Equity Members may customize the specified dollar and percentage values on an MPID and/or per session basis. If an Equity Member does not provide MIAX Pearl Equities specified dollar and percentage values for their order(s), default specified dollar and percentage values established by the Exchange will be applied. The default specified dollar and percentage values will be posted to the Exchange’s website and the Exchange will

announce in advance any changes to those dollar and percentage values via a Regulatory Circular.

(C) **Applicability.** Limit Order Price Protection will be applied when an order is first eligible to trade. A Limit Order entered before the Regular Trading Session that becomes eligible to trade in the Regular Trading Session will become subject to Limit Order Price Protection when the Regular Trading Session begins. Limit Order Price Protection will not be applied if:

1. the prices listed under paragraphs (a)(1)(ix)(A)1., 2., or 3. of this Exchange Rule 2614 are unavailable;

2. [or if ]the price listed under paragraph (a)(1)(ix)(A)3. is to be applied and a regulatory halt has been declared by the primary listing market during that trading day; or

3. if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market during that trading day.

(D) Limit Order Price Protection thresholds for an order to buy (sell) that is not in the minimum price variation (“MPV”) for the security, as defined in Exchange Rule 2616, will be rounded down (up) to the nearest price at the applicable MPV.

(x) (No change).

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### **Rule 2618. Risk Settings and Trading Risk Metrics**

(a) (No change).

(b) **Trade Risk Metrics.**

(1) **Trading Collar.** [Except for orders that are eligible for the Opening Process under Exchange Rule 2615, t]The Trading Collar prevents incoming orders, including those marked ISO, from executing at a price outside the Trading Collar price range, i.e. prevents buy orders from trading or routing at prices above the collar and prevents sell orders from trading or routing at prices below the collar. The Trading Collar price range is calculated using the greater of numerical guidelines for clearly erroneous executions or a specified dollar value established by the Exchange. Executions are permitted at prices within the Trading Collar price range, inclusive of the boundaries.

(A) Upon entry, any portion of an order to buy (sell) that would execute at a price above (below) the Trading Collar Price is cancelled, unless:

(i) the price listed under paragraph ([A]B)(ii) below is to be applied and a regulatory halt has been declared by the primary listing market during that trading day;

(ii) or if no consolidated last sale price has been disseminated following the conclusion of a regulatory halt declared by the primary listing market on that trading day.

([A]B) The Trading Collar Reference Price is equal to the following:

(i) consolidated last sale price disseminated during the Regular Trading Hours on trade date; or

(ii) if (i) is not available, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events.

([B]C) In the absence of a Trading Collar Reference Price, the Exchange will suspend the Trading Collar function, in the interest of maintaining a fair and orderly market in the impacted security.

([C]D) The Exchange calculates the Trading Collar price range for a security by applying the Numerical Guideline and reference price (see table below) to the Trading Collar Reference Price, as defined in paragraph ([A]B) above. The result is added to the Trading Collar Reference Price to determine the Trading Collar Price for buy orders, while the result is subtracted from the Trading Collar Reference Price to determine the Trading Collar Price for sell orders. The Trading Collar Price for an order to buy (sell) that is not in the minimum price variation ("MPV") for the security, as defined in Exchange Rule 2612, will be rounded down (up) to the nearest price at the applicable MPV. The appropriate Trading Collar Price is assigned to all orders upon entry. The Trading Collar Price is not enforced throughout the life of the order nor updated once the order is resting on the MIAX Pearl Equities Book.

([D]E) The Numerical Guideline used in the Trading Collar Price calculation is based on the table below:

Trading Collar Reference Price	Regular Trading Hours Numerical Guidelines
Greater than \$0.00 up to and including \$25.00	10%
Greater than \$25.00 up to and including \$50.00	5%
Greater than \$50.00	3%

These percentages are based upon the numerical guidelines for clearly erroneous executions under Exchange Rule 2621. The specified dollar values will be posted to the Exchange's website and the Exchange will announce in advance any changes to the dollar value via a Regulatory Circular.

(E) For Market Orders only, an Equity Member may select a dollar value lower than the specified percentages and dollar values described under paragraph (D) on an order by order basis. In such case, the dollar value selected by the Equity Member will override the dollar values and specific percentages set forth under paragraph (D) above.

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