

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-85376; File No. SR-PEARL-2019-09)

March 20, 2019

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the MIAX PEARL 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 March 8, 2019, MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend the MIAX PEARL Fee Schedule (the “Fee Schedule”).

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 (i) make a number of non-substantive, technical corrections to its routing fee table set forth in Section 1)b) of the Fee Schedule to reflect the recent addition of a new national securities exchange, MIAX Emerald, LLC (“MIAX Emerald”)<sup>3</sup>, to be listed in the routing fee table; (ii) change the exchange groupings of options exchanges within the routing fee table and to adjust the fee for certain groupings, to reflect the associated fee for customer orders that are routed to those options exchanges for execution; and (iii) make a non-substantive, technical formatting correction.

**Addition of MIAX Emerald**

MIAX Emerald commenced operations as a national securities exchange registered under Section 6 of the Act<sup>4</sup> on March 1, 2019. The names of all options exchanges are set forth in the Exchange’s routing fee table set forth in Section 1)b) of the Fee Schedule, which sets forth the fees for customer orders that are routed to those options exchanges for execution. Accordingly, the Exchange proposes to update its routing fee table set forth in Section 1)b) of the Fee Schedule to reflect the addition of MIAX Emerald as a national securities exchange. The amount of the applicable fee is determined based upon (i) the origin type of the order, (ii) whether or not it is an order for an option in a Penny or Non-Penny class (or other explicitly identified classes)

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<sup>3</sup> See Securities Exchange Act Release No. 84891 (December 20, 2018), 83 FR 67421 (December 28, 2018) (File No. 10-233) (order approving application of MIAX Emerald, LLC for registration as a national securities exchange).

<sup>4</sup> 15 U.S.C. 78f.

and (iii) to which away market it is being routed.<sup>5</sup> The Exchange proposes to add MIAX Emerald to the second “Routed, Priority Customer<sup>6</sup>, Penny Pilot” exchange grouping, the second “Routed, Priority Customer, Non-Penny Pilot” exchange grouping, the “Routed, Public Customer that is not a Priority Customer, Penny Pilot” exchange grouping, and the second “Routed, Public Customer that is not a Priority Customer, Non-Penny Pilot” exchange grouping. In determining its Routing Fees, the Exchange takes into account transaction fees and rebates assessed by the away markets to which the Exchange routes orders, as well as the Exchange’s clearing costs,<sup>7</sup> administrative, regulatory, and technical costs associated with routing orders to an away market. The Exchange uses unaffiliated routing brokers to route orders to the away markets; the costs associated with the use of these services are included in the Routing Fees specified in the Fee Schedule. Based on its analysis, the Exchange determined that the exchange groupings discussed above were the similar grouping within which to include MIAX Emerald.

#### **Updated Grouping of Certain Options Exchanges and Fees**

The Exchange proposes to change the exchange groupings of options exchanges within the routing fee table and to adjust the fee for certain groupings, to better reflect the associated costs of routing customer orders to those options exchanges for execution. As noted above, the Exchange assesses the applicable routing fee based upon (i) the origin type of the order, (ii) whether or not it is an order for an option in a Penny or Non-Penny class (or other explicitly

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<sup>5</sup> This is similar to the methodologies utilized by BATS in assessing Routing Fees. See Cboe BZX Options Fee Schedule under “Fee Codes and Associated Fees.”

<sup>6</sup> “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100, including Interpretations and Policies .01.

<sup>7</sup> The OCC amended its clearing fee from \$0.01 per contract side to \$0.02 per contract side. See Securities Exchange Act Release No. 71769 (March 21, 2014), 79 FR 17214 (March 27, 2014) (SR-OCC-2014-05).

identified classes) and (iii) to which away market it is being routed.<sup>8</sup> In determining which category to group an exchange into, the Exchange primarily takes into account the amount of the transaction fees and rebates assessed by the away markets to which the Exchange routes orders, as well as the Exchange's clearing costs, administrative costs, regulatory, and technical costs associated with routing orders to an away market. The Exchange uses unaffiliated routing brokers to route orders to the away markets; the costs associated with the use of these services are included in the Routing Fees specified in the Fee Schedule.

Cboe BZX Options Exchange ("BZX Options") has exchange groupings in its fee schedule, similar to those of MIAX PEARL, whereby several exchanges are grouped into the same category, dependent on the order's origin type and whether it is a Penny or Non-Penny Pilot class.<sup>9</sup> The Exchange believes having these types of exchange groupings allows it greater precision in covering its costs associated with routing orders to away markets. The per-contract transaction fee amount associated with each grouping approximates the Exchange's all-in cost (plus an additional, non-material amount) to execute that corresponding contract at that corresponding exchange.

As a result of conducting a periodic review of the current transaction fees and rebates charged by away markets, the Exchange has determined to change the exchange grouping of options exchanges within the routing fee table and to adjust the fee for certain groupings, to better reflect the associated costs of routing customer orders to those options exchanges for execution. First, the Exchange proposes to add MIAX Options, Cboe, Nasdaq PHLX, Nasdaq ISE, and Cboe EDGX Options to the first "Routed, Public Customer that is not a Priority

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<sup>8</sup> See supra note 5.

<sup>9</sup> See supra note 5.

Customer, Non-Penny Pilot” exchange grouping, and to increase the fee for this exchange grouping from \$0.65 to \$1.00. Next, the Exchange proposes to add NOM and BOX to the second “Routed, Public Customer that is not a Priority Customer, Non-Penny Pilot” exchange grouping, and to decrease the fee for this exchange grouping from \$1.20 to \$1.15. The Exchange also proposes to remove NYSE Arca Options, Cboe BZX Options, and Nasdaq GEMX from this exchange grouping. Next, the Exchange proposes to add Cboe BZX Options, NYSE Arca Options, and Nasdaq GEMX to the third “Routed, Public Customer that is not a Priority Customer, Non-Penny Pilot” exchange grouping, and to increase the fee for this exchange grouping from \$0.97 to \$1.25. The Exchange also proposes to remove BOX, Cboe, Cboe EDGX Options, Nasdaq ISE, MIAX Options, NOM and Nasdaq PHLX from this exchange grouping. The Exchange notes that no options exchanges were removed from the routing fee table entirely, and were only categorized within a different exchange grouping. Finally, the Exchange proposes to increase the fee for the second “Routed, Priority Customer, Non-Penny Pilot” exchange grouping from \$0.97 to \$1.00. The Exchange does not propose to adjust the fee it charges for the first or second “Routed, Priority Customer, Penny Pilot” exchange groupings; the first “Routed, Priority Customer, Non-Penny Pilot” exchange grouping; and the “Routed, Public Customer that is not a Priority Customer, Penny Pilot” exchange grouping. All of the foregoing changes to the groupings and the amounts are based on corresponding changes to the fee amounts assessed by the away exchanges since the last time the Exchange changed its Routing Fees.

### **Formatting Corrections**

The Exchange also proposes to make a number of non-substantive, technical formatting corrections. Specifically, the Exchange notes that the current routing fee table incorrectly lists MIAX Options with all capitalized letters. The Exchange proposes to correct “MIAX

OPTIONS” as currently written in the first “Routed, Priority Customer, Penny Pilot” exchange grouping, the first “Routed, Priority Customer, Non-Penny Pilot” exchange grouping, and the “Routed, Public Customer that is not a Priority Customer, Penny Pilot” exchange grouping to now be written as “MIAX Options,” with the word “options” only having the first letter capitalized. The Exchange notes that the word “Options” was inadvertently capitalized and believes that correcting the formatting of the word would make the routing table clearer, and would align the formatting with the rest of the Fee Schedule. The Exchange also proposes to make a correction in the third “Routed, Public Customer that is not a Priority Customer, Non-Penny Pilot” exchange grouping. Specifically, the Exchange proposes to remove the parenthesis around the words “Public Customer that is not a Priority Customer.” The Exchange notes that the parenthesis were inadvertently added and believes that removing the parenthesis would make the routing fee table clearer, as it would align the formatting with the other exchange groupings in the table. Lastly, the Exchange proposes to amend the title of Section 1)b) of the Fee Schedule to remove the words “and Rebate” from the title. The Exchange notes that the title of the Section currently reads “Fees and Rebates for Customer Orders Routed to Another Options Exchange.” The routing fee table does not currently contain any rebates, therefore, as amended, the Exchange proposes for the title of the Section to now read “Fees for Customer Orders Routed to Another Options Exchange.” The Exchange believes this will add clarity and precision with respect to the structure of its Fee Schedule. The Exchange notes that none of the proposed technical corrections change the application of routing fee table in any way.

Accordingly, as amended, the routing fee table shall be as follows:

**b) Fees for Customer Orders Routed to Another Options Exchange**

MIAX PEARL will assess a Routing Fee to market participants on all orders routed to and executed on an away market as set forth in the table below.

| Description   | Fees   |
|---|--------|
| Routed, Priority Customer, Penny Pilot, to: NYSE American, BOX, Cboe, Cboe EDGX Options, Nasdaq MRX, MIAX Options, Nasdaq PHLX (except SPY), Nasdaq BX Options  | \$0.15 |
| Routed, Priority Customer, Penny Pilot, to: NYSE Arca Options, Cboe BZX Options, Cboe C2, Nasdaq GEMX, Nasdaq ISE, NOM, Nasdaq PHLX (SPY only), MIAX Emerald  | \$0.65 |
| Routed, Priority Customer, Non-Penny Pilot, to: NYSE American, BOX, Cboe, Cboe EDGX Options, Nasdaq ISE, Nasdaq MRX, MIAX Options, Nasdaq PHLX, Nasdaq BX Options   | \$0.15 |
| Routed, Priority Customer, Non-Penny Pilot, to: NYSE Arca Options, Cboe BZX Options, Cboe C2, Nasdaq GEMX, NOM, MIAX Emerald  | \$1.00 |
| Routed, Public Customer that is not a Priority Customer, Penny Pilot, to: NYSE American, NYSE Arca Options, Cboe BZX Options, BOX, Cboe, Cboe C2, Cboe EDGX Options, Nasdaq GEMX, Nasdaq ISE, Nasdaq MRX, MIAX Emerald, MIAX Options, NOM, Nasdaq PHLX, Nasdaq BX Options | \$0.65 |
| Routed, Public Customer that is not a Priority Customer, Non-Penny Pilot, to: NYSE American, MIAX Options, Cboe, Nasdaq PHLX, Nasdaq ISE, Cboe EDGX Options   | \$1.00 |
| Routed, Public Customer that is not a Priority Customer, Non-Penny Pilot, to: Cboe C2, NOM, BOX, Nasdaq MRX, Nasdaq BX Options, MIAX Emerald  | \$1.15 |
| Routed Public Customer that is not a Priority Customer, Non-Penny Pilot, to: Cboe BZX Options, NYSE Arca Options, Nasdaq GEMX   | \$1.25 |

2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>10</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act,<sup>11</sup> in that it is an equitable allocation of reasonable dues, fees and other charges among Exchange

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(4).

members and issuers and other persons using its facilities, and 6(b)(5) of the Act,<sup>12</sup> in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes the proposed changes to update its routing fee table set forth in Section 1)b) of the Fee Schedule to reflect the addition of MIAX Emerald as a national securities exchange furthers the objectives of Section 6(b)(4) of the Act and are equitable and reasonable and not unfairly discriminatory because the addition of MIAX Emerald to the routing fee table would apply in the same manner to all Members that are subject to the Routing Fee. The Exchange believes the proposed changes are equitable and reasonable since they make non-substantive, technical corrections and updates to the Exchange's Fee Schedule. The addition of MIAX Emerald to the routing fee table does not alter the application of any Routing Fees, but instead adds MIAX Emerald to the appropriate exchange groupings in the routing fee table to reflect that MIAX Emerald has been added as a national securities exchange. The Exchange believes that the proposed changes to update its routing fee table to reflect the addition of MIAX Emerald as a national securities exchange furthers the objectives of Section 6(b)(5) of the Act and promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes will provide greater clarity to Members and the public regarding the Exchange's Rules.

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<sup>12</sup> 15 U.S.C. 78f(b)(1) and (b)(5).

It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

The Exchange believes the proposed change to the exchange groupings of options exchanges within the routing fee table and to adjustments to the fee for certain groupings, to reflect the associated fee for customer orders that are routed to those options exchanges for execution further the objectives of Section 6(b)(4) of the Act and are reasonable, equitable and not unfairly discriminatory because they will continue to apply in the same manner to all Members that are subject to Routing Fees. The Exchange believes the proposed changes to the routing fee table exchange grouping and fees also further the objectives of Section 6(b)(5) of the Act and are designed to promote just and equitable principles of trade and are not unfairly discriminatory because they seek to recoup costs that are incurred by the Exchange when routing customer orders to away markets on behalf of Members and in the same manner to all Members that are subject to the Routing Fee. The costs to the Exchange to route orders to away markets for execution primarily includes transaction fees and rebates assessed by the away markets to which the Exchange routes orders, in addition to the Exchange's clearing costs, administrative, regulatory and technical costs. The Exchange believes that the proposed re-categorization of certain exchange groupings and adjustments to fees would enable the Exchange to recover the costs it incurs to route orders to away markets. The per-contract transaction fee amount associated with each grouping approximates the Exchange's all-in cost (plus an additional, non-material amount) to execute the corresponding contract at the corresponding exchange. The Exchange believes it is reasonable, equitable and not unfairly discriminatory to re-categorize certain exchange groupings and make adjustments to the associated fees because all such

changes are based on corresponding changes to the fee amounts assessed by the away exchanges since the last time the Exchange changed its Routing Fees.

In addition, the Exchange believes that it is equitable and not unfairly discriminatory to assess lower routing fees to Priority Customer orders than to Public Customer orders. A Priority Customer is by definition not a broker or dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). Further, the routing fees for Priority Customer orders are based on the fees charged by the away market for the execution of such orders, therefore it is reasonable and appropriate for the routing fees to be lower than the routing fees for Public Customer orders, as this is the fee construct at the away markets.

Lastly, the Exchange believes that the proposed non-substantive, technical formatting corrections further the objectives of Section 6(b)(4) of the Act and 6(b)(5) of the Act in that the changes are equitable and reasonable and not unfairly discriminatory because this proposal is intended only as a technical correction to the formatting of certain names within the routing fee table and to update the title of Section 1)b) of the Fee Schedule to accurately reflect that this Section only includes fees, which does not have any substantive impact on the Routing Fees. The Exchange believes making these technical formatting corrections promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in facilitating transactions in securities, and protects investors and the public interest, because it would eliminate any potential confusion as a result of incorrect formatting and wording. It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

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

MIAX PEARL does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes to update its routing fee table set forth in Section 1)b) of the Fee Schedule to reflect the addition of MIAX Emerald as a new national securities exchange will have no impact on competition as they are not designed to address any competitive issues but rather are designed to make non-substantive technical corrections and update the Exchange's Fee Schedule by adding MIAX Emerald to the appropriate exchange groupings in the routing fee table to reflect that MIAX Emerald has been added as a national securities exchange. The Exchange's proposed re-categorization of certain exchange groupings and adjustment of fees is intended to enable the Exchange to recover the costs it incurs to route orders to away markets. The Exchange does not believe that this proposal imposes any unnecessary burden on competition because it seeks to recoup costs incurred by the Exchange when routing orders to away markets on behalf of Members and other Exchange have similar Routing Fee structures.<sup>13</sup> Further, the Exchange does not believe that the technical formatting corrections to the routing fee table will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act because the proposal is intended to eliminate any potential confusion as a result of incorrect formatting and wording. In doing so, the proposed rule change will also serve to promote clarity and consistency in the Exchange's Fee Schedule.

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>13</sup> See supra note 5.

### 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>14</sup> and Rule 19b-4(f)(2)<sup>15</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

### IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

#### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-PEARL-2019-09 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-2019-09. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>15</sup> 17 CFR 240.19b-4(f)(2).

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-PEARL-2019-09 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>16</sup>

Eduardo A. Aleman  
Deputy Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).