

President's Commission on White House Fellowships.

Elizabeth Pinkerton,

Director.

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## POSTAL REGULATORY COMMISSION

[Docket No. T2018-1; Order No. 4368]

### Income Tax Review

**AGENCY:** Postal Regulatory Commission.

**ACTION:** Notice.

**SUMMARY:** The Commission is noticing a recent Postal Service filing concerning the calculation of the assumed Federal income tax on competitive products income for Fiscal Year 2017. This notice informs the public of the filing, invites public comment, and takes other administrative steps.

**DATES:** *Comments are due:* February 2, 2018.

**ADDRESSES:** Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

**FOR FURTHER INFORMATION CONTACT:** David A. Trissell, General Counsel, at 202-789-6820.

### SUPPLEMENTARY INFORMATION:

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#### I. Introduction

In accordance with 39 U.S.C. 3634 and 39 CFR 3060.40 *et seq.*, the Postal Service filed its calculation of the assumed Federal income tax on competitive products income for fiscal year (FY) 2017.<sup>1</sup> The calculation details the FY 2017 competitive product revenue and expenses, the net competitive products income before tax, and the assumed Federal income tax on that income.

#### II. Notice of Commission Action

In accordance with 39 CFR 3060.42, the Commission establishes Docket No. T2018-1 to review the calculation of the assumed Federal income tax and supporting documentation.

<sup>1</sup> See Notice of the United States Postal Service of Submission of the Calculation of the FY 2017 Assumed Federal Income Tax on Competitive Products, January 10, 2018.

The Commission invites comments on whether the Postal Service's filing in this docket is consistent with the policies of 39 U.S.C. 3634 and 39 CFR 3060.40 *et seq.* Comments are due no later than February 2, 2018. The Postal Service's filing can be accessed via the Commission's website (<http://www.prc.gov>).

The Commission appoints Jennaca D. Upperman to serve as Public Representative in this docket.

### III. Ordering Paragraphs

*It is ordered:*

1. The Commission establishes Docket No. T2018-1 to consider the calculation of the assumed Federal income tax on competitive products for FY 2017.

2. Pursuant to 39 U.S.C. 505, Jennaca D. Upperman is appointed to serve as an officer of the Commission to represent the interests of the general public in this proceeding (Public Representative).

3. Comments are due no later than February 2, 2018.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Stacy L. Ruble,  
Secretary.

[FR Doc. 2018-00782 Filed 1-17-18; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82490; File No. SR-PEARL-2017-40]

### Self-Regulatory Organizations; MIA X PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the MIA X PEARL Fee Schedule

January 11, 2018.

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 December 29, 2017, MIA X PEARL, LLC ("MIA X 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.

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

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

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

The Exchange is filing a proposal to amend the MIA X 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 MIA X 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 in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

##### 1. Purpose

The Exchange proposes to amend the Add/Remove Tiered Rebates/Fees set forth in Section (1)(a) of the Fee Schedule to (i) modify the monthly volume thresholds that apply to MIA X PEARL Market Makers<sup>3</sup> in certain tiers, and to establish rebates and fees for new Tier 2 and new Tier 6 applicable to Market Makers, (ii) modify the monthly volume thresholds that apply to MIA X PEARL Non-Priority Customers, Firms, Broker-Dealers and Non-MIA X PEARL Market Makers in Tier 4, and to establish rebates and fees for a new Tier 5 applicable to such market participants who are not Priority Customers<sup>4</sup> or MIA X PEARL Market Makers; and (iii) offer Members<sup>5</sup> the Maker Rebate and

<sup>3</sup> "Market Maker" means a Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange. See the Definitions Section of the Fee Schedule and Exchange Rule 100.

<sup>4</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 accounts(s). See Exchange Rule 100, including Interpretations and Policies .01.

<sup>5</sup> "Member" means an individual or organization that is registered with the Exchange pursuant to Chapter II of the Exchange Rules for purposes of trading on the Exchange as an "Electronic Exchange Member" or "Market Maker." Members are deemed "members" under the Exchange Act. See the

the Taker Fee associated with the highest Tier in Non-Penny classes (as defined below) for transactions in Non-Penny classes if such Member executes more than 0.30% volume in Non-Penny classes, not including Excluded Contracts,<sup>6</sup> as compared to the TCV<sup>7</sup> in all MIAx PEARL listed option classes.

The Exchange currently assesses transaction rebates and fees to all market participants which are based upon the total monthly volume executed by the Member on MIAx PEARL in the relevant, respective origin type (not including Excluded Contracts) expressed as a percentage of TCV. In addition, the per contract transaction rebates and fees are applied

retroactively to all eligible volume for that origin type once the respective threshold tier (“Tier”) has been reached by the Member. The Exchange aggregates the volume of Members and their Affiliates.<sup>8</sup> Members that place resting liquidity, *i.e.*, orders resting on the book of the MIAx PEARL System,<sup>9</sup> are paid the specified “maker” rebate (each a “Maker”), and Members that execute against resting liquidity are assessed the specified “taker” fee (each a “Taker”). For opening transactions and ABBO uncrossing transactions, per contract transaction rebates and fees are waived for all market participants. Finally, Members are assessed lower transaction fees and receive lower

rebates for order executions in standard option classes in the Penny Pilot Program<sup>10</sup> (“Penny classes”) than for order executions in standard option classes which are not in the Penny Pilot Program (“Non-Penny classes”), where Members are assessed higher transaction fees and receive higher rebates within the same tier.

Transaction Rebates and Fees for MIAx PEARL Market Makers

Transaction rebates and fees applicable to all MIAx PEARL Market Makers are currently assessed according to the following table:

Origin	Tier	Volume criteria	Per contract rebates/fees for penny classes		Per contract rebates/fees for non-penny classes	
			Maker	Taker	Maker	Taker
All MIAx PEARL Market Makers ..	1	0.00%–0.10% .....	(\$0.25)	\$0.50	(\$0.30)	\$1.05
	2	Above 0.10%–0.50% .....	(0.40)	0.48	(0.60)	1.03
	3	Above 0.50%–0.75% or Above 2.0% in SPY.	(0.47)	0.47	(0.65)	1.02
	4	Above 0.75% .....	(0.48)	0.47	(0.70)	1.02

The Exchange proposes to modify the monthly volume thresholds applicable to the Exchange’s Market Makers to adjust the thresholds in current Tiers 1, 3 and 4 and to add a new Tier 2 threshold and corresponding Tier 2 rebates and fees, as well as to add a new Tier 6 threshold and corresponding Tier 6 rebates and fees. Specifically, the Exchange proposes to adjust the calculation threshold of Tier 1’s volume criteria from 0.00% up to 0.10% of the total monthly volume executed by the Member on MIAx PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.00% up to 0.05% of the total monthly volume executed by the Member on MIAx PEARL, not including Excluded Contracts, divided by the TCV. The

Exchange then proposes to add a new Tier 2 threshold applicable to all MIAx PEARL Market Makers. The new Tier 2 threshold volume criteria shall be calculated as above 0.05% up to 0.25% of the total monthly volume executed by the Member on MIAx PEARL, not including Excluded Contracts, divided by the TCV.

Further, the Exchange proposes to adjust the calculation threshold of former Tier 2 and now Tier 3’s volume criteria from above 0.10% up to 0.50% of the total monthly volume executed by the Member on MIAx PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.25% up to 0.50% of the total monthly volume executed by the Member on MIAx PEARL, not including Excluded

Contracts, divided by the TCV. Former Tier 3 will now become Tier 4.

The Exchange additionally proposes to adjust the calculation threshold of former Tier 4 and now Tier 5’s volume criteria from above 0.75% of the total monthly volume executed by the Member on MIAx PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.75% up to 1.00% of the total monthly volume executed by the Member on MIAx PEARL, not including Excluded Contracts, divided by the TCV.

The Exchange then proposes to add a new Tier 6 threshold applicable to all MIAx PEARL Market Makers. The new Tier 6 threshold volume criteria shall be calculated as above 1.00% of the total monthly volume executed by the

Definitions Section of the Fee Schedule and Exchange Rule 100.

<sup>6</sup> “Excluded Contracts” means any contracts routed to an away market for execution. See the Definitions Section of the Fee Schedule.

<sup>7</sup> “TCV” means total consolidated volume calculated as the total national volume in those classes listed on MIAx PEARL for the month for which the fees apply, excluding consolidated volume executed during the period time in which the Exchange experiences an “Exchange System Disruption” (solely in the option classes of the affected Matching Engine (as defined below)). The term Exchange System Disruption, which is defined in the Definitions section of the Fee Schedule, means an outage of a Matching Engine or collective Matching Engines for a period of two consecutive hours or more, during trading hours. The term Matching Engine, which is also defined in the Definitions section of the Fee Schedule, is a part of the MIAx PEARL electronic system that processes options orders and trades on a symbol-by-symbol

basis. Some Matching Engines will process option classes with multiple root symbols, and other Matching Engines may be dedicated to one single option root symbol (for example, options on SPY may be processed by one single Matching Engine that is dedicated only to SPY). A particular root symbol may only be assigned to a single designated Matching Engine. A particular root symbol may not be assigned to multiple Matching Engines. The Exchange believes that it is reasonable and appropriate to select two consecutive hours as the amount of time necessary to constitute an Exchange System Disruption, as two hours equates to approximately 1.4% of available trading time per month. The Exchange notes that the term “Exchange System Disruption” and its meaning have no applicability outside of the Fee Schedule, as it is used solely for purposes of calculating volume for the threshold tiers in the Fee Schedule. See the Definitions Section of the Fee Schedule.

<sup>8</sup> “Affiliate” means (i) an affiliate of a Member of at least 75% common ownership between the firms

as reflected on each firm’s Form BD, Schedule A, or (ii) the Appointed Market Maker of an Appointed EEM (or, conversely, the Appointed EEM of an Appointed Market Maker). An “Appointed Market Maker” is a MIAx PEARL Market Maker (who does not otherwise have a corporate affiliation based upon common ownership with an EEM) that has been appointed by an EEM and an “Appointed EEM” is an EEM (who does not otherwise have a corporate affiliation based upon common ownership with a MIAx PEARL Market Maker) that has been appointed by a MIAx PEARL Market Maker, pursuant to the process described in the Fee Schedule. See the Definitions Section of the Fee Schedule.

<sup>9</sup> The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>10</sup> See Securities Exchange Act Release No. 82391 (December 22, 2017), 82 FR 61622 (December 28, 2017) (SR-PEARL-2017-39).

Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The new thresholds for MIAX PEARL Market Makers will be as set forth in the following table:

Origin	Tier	Volume criteria	Per contract rebates/fees for penny classes		Per contract rebates/fees for non-penny classes	
			Maker	Taker	Maker	Taker
All MIAX PEARL Market Makers ..	1	0.00%–0.05% .....	(\$0.25)	\$0.50	(\$0.30)	\$1.05
	2	Above 0.05%–0.25% .....	(0.40)	0.50	(0.30)	1.05
	3	Above 0.25%–0.50% .....	(0.40)	0.48	(0.60)	1.03
	4	Above 0.50%–0.75% or Above 2.0% in SPY.	(0.47)	0.47	(0.65)	1.02
	5	Above 0.75%–1.00% .....	(0.48)	0.47	(0.70)	1.02
	6	Above 1.00% .....	(0.48)	0.47	(0.85)	1.02

The Exchange believes that the proposed new monthly volume tier and new rebates/fees in Tier 2 should provide incentives for the Exchange’s Market Makers to more aggressively provide liquidity in Penny classes so that they can achieve the higher Maker rebate in Penny classes with less volume than previously required in the former tier. The Exchange additionally believes that the proposed new monthly volume tier and new rebates/fees in Tier 6 should provide incentives for the Exchange’s Market Makers to more aggressively provide liquidity in Non-

Penny classes so that they can achieve a higher Maker rebate in Non-Penny classes than previously offered. The Exchange believes that increased MIAX PEARL Market Maker volume should make the MIAX PEARL marketplace an attractive venue where the Exchange’s Market Makers are incentivized to submit orders with narrow spreads and with greater size, deepening and enhancing the quality of the MIAX PEARL marketplace. This should in turn provide more trading opportunities and tighter spreads for other market participants and result in a

corresponding increase in order flow from such other market participants.

Transaction Rebates and Fees for Other Market Participants That Are Not Priority Customers or MIAX PEARL Market Makers

Transaction rebates and fees applicable to all other market participants that are not Priority Customers or MIAX PEARL Market Makers are currently assessed according to the following table:

Origin	Tier	Volume criteria	Per contract rebates/fees for penny classes		Per contract rebates/fees for non-penny classes	
			Maker	Taker	Maker	Taker
Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers.	1	0.00%–0.10% .....	(\$0.25)	\$0.50	(\$0.30)	\$1.05
	2	Above 0.10%–0.50% .....	(0.40)	0.49	(0.60)	1.04
	3	Above 0.50%–0.75% .....	(0.45)	0.48	(0.65)	1.04
	4	Above 0.75% .....	(0.48)	0.48	(0.70)	1.04

The Exchange proposes to modify the monthly volume thresholds applicable to all Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers to adjust the threshold in Tier 4 set forth above and to add a new Tier 5 threshold and corresponding Tier 5 rebates and fees. Specifically, the Exchange proposes to adjust the calculation threshold of Tier 4’s volume criteria from above 0.75% of the total monthly volume executed by the

Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV, to become above 0.75% up to 1.00% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV. The rebates and fees applicable in the new Tier 5 shall be (\$0.48) and \$0.48 per contract for Penny classes, and (\$0.85) and \$1.04 for Non-Penny classes.

Additionally, the Exchange proposes to add a new Tier 5 threshold applicable

to all such market participants. The new Tier 5 threshold volume criteria shall be calculated as above 1.00% of the total monthly volume executed by the Member on MIAX PEARL, not including Excluded Contracts, divided by the TCV.

The new thresholds for Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers will be as set forth in the following table:

Origin	Tier	Volume criteria	Per contract rebates/fees for penny classes		Per contract rebates/fees for non-penny classes	
			Maker	Taker	Maker	Taker
Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers.	1	0.00%–0.10% .....	(\$0.25)	\$0.50	(\$0.30)	\$1.05
	2	Above 0.10%–0.50% .....	(0.40)	0.49	(0.60)	1.04
	3	Above 0.50%–0.75% .....	(0.45)	0.48	(0.65)	1.04
	4	Above 0.75%–1.00% .....	(0.48)	0.48	(0.70)	1.04
	5	Above 1.00% .....	(0.48)	0.48	(0.85)	1.04

The Exchange believes that the proposed new monthly volume tier and higher rebate in Tier 5 should provide incentives for such market participants to direct greater volume to the Exchange in Non-Penny classes. The Exchange believes that increased order flow by these market participants should make the MIAX PEARL marketplace an attractive venue where these market participants are incentivized to submit orders with narrower spreads and with greater size, deepening and enhancing the quality of the MIAX PEARL marketplace. This should in turn provide more trading opportunities and tighter spreads for all market participants and result in a corresponding increase in order flow from all market participants.

#### Member Transaction Maker Rebates and Taker Fees for Non-Penny Classes

The Exchange proposes to offer Members transacting volume in MIAX PEARL Market Maker, Non-Priority Customer, Firm, Broker Dealer, and Non-MIAX PEARL Market Maker origin types (the "Select Origins") a new method to achieve higher rebates and lower fees for transactions in Non-Penny classes. Specifically, the Exchange proposes to offer Members transacting volume in the Select Origins the Maker rebate and the Taker fee associated with the highest Tier for that respective origin type in Non-Penny classes for transactions in Non-Penny classes if such Member executes more than 0.30% volume in Non-Penny classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes. For example, under the proposed tiers, if a Market Maker transacted monthly volume of 0.45% in both Penny and Non-Penny classes, not including Excluded Contracts, as divided by TCV, such Member would receive proposed Tier 3 rebates and fees: Maker rebate of (\$0.40) for orders that placed resting liquidity on the book and Taker fee of \$0.48 for orders that removed liquidity from the book in Penny classes; Maker rebate of (\$0.60) for orders that placed resting liquidity on the book and Taker fee of \$1.03 for orders that removed liquidity from the book in Non-Penny classes. However, if such Member's volume was heavily concentrated in Non-Penny classes where its Non-Penny executed volume was above 0.30%, not including Excluded Contracts, as divided by TCV in all MIAX PEARL listed options classes, such Member would receive a Maker rebate of (\$0.85) and Taker fee of \$1.02, the proposed rates for Tier 6 in Non-Penny classes for Market Makers. Its Maker rebate of

(\$0.40) and Taker fee of \$0.48 will continue to apply for Penny classes for Market Makers in proposed Tier 3. This example would be similar for Non-Priority Customers, Firms, Broker Dealers, and Non-MIAX PEARL Market Makers, except for the variations in the rates and thresholds. For example, under the proposed tiers, if a Member in these origins transacted monthly volume of 0.45% in both Penny and Non-Penny classes, not including Excluded Contracts, as divided by TCV, such Member would receive Tier 2 rebates and fees: Maker rebate of (\$0.40) for orders that placed resting liquidity on the book and Taker fee of \$0.49 for orders that removed liquidity from the book in Penny classes; Maker rebate of (\$0.60) for orders that placed resting liquidity on the book and Taker fee of \$1.04 for orders that removed liquidity from the book in Non-Penny classes. However, if such Member's volume was heavily concentrated in Non-Penny classes where its Non-Penny executed volume was above 0.30%, not including Excluded Contracts, as divided by TCV in all MIAX PEARL listed options classes, such Member would receive a Maker rebate of (\$0.85) and Taker fee of \$1.04, the proposed rates for Tier 5 in Non-Penny classes for these origins. Its Maker rebate of (\$0.40) and Taker fee of \$0.49 will continue to apply for Penny classes in that origin type in proposed Tier 2.

Lastly, the Exchange proposes to offer Members an alternative method to achieve such higher rebates and lower fees for transactions in Non-Penny classes by permitting the Member to aggregate its volume in Non-Penny classes with that of its Affiliates<sup>11</sup> in the

<sup>11</sup> "Affiliate" means (i) an affiliate of a Member of at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A, or (ii) the Appointed Market Maker of an Appointed EEM (or, conversely, the Appointed EEM of an Appointed Market Maker). An "Appointed Market Maker" is a MIAX PEARL Market Maker (who does not otherwise have a corporate affiliation based upon common ownership with an EEM) that has been appointed by an EEM and an "Appointed EEM" is an EEM (who does not otherwise have a corporate affiliation based upon common ownership with a MIAX PEARL Market Maker) that has been appointed by a MIAX PEARL Market Maker, pursuant to the following process. A MIAX PEARL Market Maker appoints an EEM and an EEM appoints a MIAX PEARL Market Maker, for the purposes of the Fee Schedule, by each completing and sending an executed Volume Aggregation Request Form by email to [membership@miaxoptions.com](mailto:membership@miaxoptions.com) no later than 2 business days prior to the first business day of the month in which the designation is to become effective. Transmittal of a validly completed and executed form to the Exchange along with the Exchange's acknowledgement of the effective designation to each of the Market Maker and EEM will be viewed as acceptance of the appointment. The Exchange will only recognize one designation

Select Origins. For avoidance of doubt, volume from Priority Customer in Non-Penny classes will not be aggregated toward the 0.30% volume threshold. Specifically, any Member and its Affiliates will be credited the Maker rebate associated with the highest tier for transactions in Non-Penny classes and will be assessed the lowest Taker fee associated with the highest tier for transactions in Non-Penny classes if such Member together with its Affiliates in the Select Origins executes more than 0.30% volume in Non-Penny classes, not including Excluded Contracts, as compared to TCV in all MIAX PEARL option classes. The Exchange believes that these incentives will encourage Members to transact a greater number of contracts in Non-Penny classes on the Exchange.

The proposed rule change is scheduled to become operative January 2, 2018.

## 2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>12</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act,<sup>13</sup> in that it is an equitable allocation of reasonable dues, fees and other charges among Exchange members and issuers and other persons using its facilities, and 6(b)(5) of the Act,<sup>14</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 that the proposed new tier structure applicable to the Exchange's Market Makers is consistent with Section 6(b)(4) of the Act in that it is fair, equitable and not unreasonably discriminatory and should improve market quality for the Exchange's Market Makers and

per Member. A Member may make a designation not more than once every 12 months (from the date of its most recent designation), which designation shall remain in effect unless or until the Exchange receives written notice submitted 2 business days prior to the first business day of the month from either Member indicating that the appointment has been terminated. Designations will become operative on the first business day of the effective month and may not be terminated prior to the end of the month. Execution data and reports will be provided to both parties.

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

<sup>13</sup> 15 U.S.C. 78f(b)(4).

<sup>14</sup> 15 U.S.C. 78f(b)(1) and (b)(5).

consequently all market participants. The proposed changes to the MIAX PEARL Market Maker tier structure and rebates and fees are fair and equitable and not unreasonably discriminatory because they apply equally to all MIAX PEARL Market Maker orders. All similarly situated MIAX PEARL Market Maker orders are subject to the same rebate and fee schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory.

The Exchange believes that the proposed rule changes applicable to MIAX PEARL Market Makers are consistent with Section 6(b)(5) of the Act in that they promote equitable access to the Exchange for all market participants. To the extent that MIAX PEARL Market Maker volume is increased by the proposal, market participants will increasingly compete for the opportunity to trade on the Exchange including sending more orders that are narrower and larger-sized. The resulting increased volume and liquidity will benefit all Exchange participants by providing more trading opportunities and tighter spreads.

The specific volume thresholds of the Tiers and the rebates and fees set forth in new Tiers 2 and 6 applicable to the Exchange's Market Makers were set based upon business determinations and an analysis of current volume levels. The Exchange believes that the proposed new monthly volume tier and new rebates/fees in Tier 2 should provide incentives for the Exchange's Market Makers to more aggressively provide liquidity so that they can achieve the higher Maker rebate in Penny classes with less volume than previously required in the former tier. The Maker Rebates and Taker Fees set forth in new Tier 6 are within the range of rebates and fees at other exchanges that have a Maker-Taker fee structure.<sup>15</sup> The volume thresholds are intended to incentivize MIAX PEARL Market Makers to increase the number of orders they send to the Exchange so that they can achieve the next threshold, and to encourage all market participants to send more orders as well. Increasing the number of orders sent to the Exchange will in turn provide tighter and more liquid markets, and therefore attract more business overall. Similarly, the different rebate rates at the different tier levels are based on an analysis of current revenue and volume levels and are intended to provide increasing incentives to MIAX PEARL Market

Makers for increasing the volume of orders sent to, and contracts executed on, the Exchange. The specific amounts of the tiers and rates are set in order to encourage MIAX PEARL Markets Makers to reach for higher tiers.

The Exchange believes that the proposed new tier structure applicable to the Exchange's other market participants who are not Priority Customers or MIAX PEARL Market Makers, *i.e.* Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers, is consistent with Section 6(b)(4) of the Act in that it is fair, equitable and not unreasonably discriminatory and should improve market quality for such market participants as well as MIAX PEARL Market Makers and Priority Customers. The proposed changes to the tier structure and rebates and fees applicable to such market participants are fair and equitable and not unreasonably discriminatory because they apply equally to all orders of such market participants. All similarly situated orders of such market participants are subject to the same rebate and fee schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory.

The Exchange believes that the proposed rule changes applicable to Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers are consistent with Section 6(b)(5) of the Act in that they promote equitable access to the Exchange for all market participants. To the extent order flow by these market participants is increased by the proposal, other market participants will increasingly compete for the opportunity to trade on the Exchange including sending more orders that are narrower and larger sized. The resulting increased volume and liquidity will benefit all Exchange participants by providing more trading opportunities and tighter spreads.

The specific volume thresholds of Tiers 4 and 5 and the rebates and fees set forth in new Tier 5 applicable to Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers were set based upon business determinations and an analysis of current volume levels. The Maker Rebates and Taker Fees set forth in new Tier 5 are within the range of rebates and fees at other exchanges that have a Maker-Taker fee structure.<sup>16</sup> The volume thresholds are intended to incentivize such market participants to increase the number of orders they send to the Exchange so that they can achieve the next threshold, and to encourage all

market participants to send more orders as well. Increasing the number of orders sent to the Exchange will in turn provide tighter and more liquid markets, and therefore attract more business overall. Similarly, the different rebate rates at the different tier levels are based on an analysis of current revenue and volume levels and are intended to provide increasing incentives to Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers for increasing the volume of orders sent to, and contracts executed on, the Exchange. The specific amounts of the tiers and rates are set in order to encourage such market participants to reach for higher tiers.

The Exchange believes that the proposed rule change applicable to Members' volume in Non-Penny classes is consistent with Section 6(b)(4) of the Act in that it is fair, equitable and not unreasonably discriminatory and should improve market quality for the Exchange's order flow in Non-Penny classes which will benefit all market participants. The proposed changes are fair and equitable and not unreasonably discriminatory because they apply equally to all Member orders in Non-Penny classes. All similarly situated Member orders in Non-Penny classes are subject to the same rebates and fees if they achieve the specified volume in Non-Penny classes, and access to the Exchange is offered on terms that are not unfairly discriminatory. The Exchange's proposal to offer Members and its Affiliates the opportunity to achieve such higher rebates and lower fees for transactions in Non-Penny classes by permitting the Member to aggregate its volume in Non-Penny classes with that of its Affiliates in the Select Origins, is equitable and not unfairly discriminatory because the Exchange will offer such market participants a means to reduce transaction fees by qualifying for higher volume in Non-Penny classes. The Exchange believes that offering all such market participants the opportunity to lower transaction fees by incentivizing them to transact order flow in Non-Penny classes in turn benefits all market participants. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow in Non-Penny classes directed to the Exchange will benefit all market participants and improve competition on the Exchange.

The Exchange believes that the proposal to allow the aggregation of

<sup>15</sup> See NYSE Arca Options Fees and Charges under "NYSE Arca Options: Trade-Related Charges For Standard Options"; *see also* Cboe BZX Options Exchange Fee Schedule under "Transaction Fees".

<sup>16</sup> *Id.*

trading activity of Members and their Affiliates for purposes of the fee reduction is fair, equitable and not unreasonably discriminatory. The Exchange believes the proposed rule change is reasonable because it would allow aggregation of the trading activity of Members and their Affiliates in the Select Origins for purposes of the fee reduction only in very narrow circumstances, namely, where the firm is an Affiliate as defined in the Exchange's Fee Schedule. Furthermore, other exchanges, including MIAX PEARL's affiliate, Miami International Securities Exchange, LLC ("MIAX Options,"), as well as the Exchange, have rules that permit the aggregation of the trading activity of affiliated entities for the purposes of calculating and assessing certain fees.<sup>17</sup> The Exchange believes that offering all such market participants the opportunity to lower transaction fees by incentivizing them to transact order flow in Non-Penny classes in turn benefits all market participants.

The Exchange believes that the proposal, which would only include volume transacted in Non-Penny classes of Members and their Affiliates from the Select Origins for purposes of the threshold aggregation, is fair, equitable and not unreasonably discriminatory. The Exchange believes that not including Priority Customer volume transacted in Non-Penny classes is reasonable because Priority Customers already receive a higher level of rebates offered by the Exchange for transactions in Non-Penny classes, higher than the rebate amounts proposed for the Select Origins. In Non-Penny classes, Priority Customers can receive Maker rebates of between (\$0.85) to (\$1.05) compared to the proposed highest tier rebate of (\$0.85) for Select Origins. Other exchanges use similar qualifications for use in tier thresholds. For example, on Cboe BZX, for Firm, Broker Dealer, and Joint Back Office, a member would be required to have an ADAV (average daily added volume) in Non-Customer Non-Penny Orders  $\geq 0.20\%$  of average OCV (OCC Customer Volume), as one of the criteria (criteria 3) to reach tier 3 or tier 4.<sup>18</sup> Accordingly, the Exchange believes that it is fair, equitable, and not unreasonably discriminatory to not include the Priority Customer volume of Members and their Affiliates from the Select Origins for purposes of the threshold aggregation.

<sup>17</sup> See MIAX Options Fee Schedule, Section (1)(a)(i).

<sup>18</sup> See Cboe BZX Options Exchange Fee Schedule (Firm, Broker Dealer, and Joint Back Office Non-Penny Pilot Add Volume Tiers).

The Exchange believes that the proposed rule changes applicable to Members' volume in Non-Penny classes are consistent with Section 6(b)(5) of the Act in that they to promote just and equitable principles of trade of options in Non-Penny classes. To the extent Member volume in Non-Penny classes is increased by the proposal, market participants will increasingly compete for the opportunity to trade on the Exchange in Non-Penny classes which could result in more orders that are narrower and larger-sized. The resulting increased volume and liquidity will benefit all Exchange participants by providing more trading opportunities and tighter spreads.

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

MIAX PEARL does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed changes would increase both intermarket and intramarket competition by encouraging MIAX PEARL Market Makers as well as Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers to direct their orders to the Exchange, which should provide liquidity to the marketplace and increase the volume of contracts traded on MIAX PEARL. The Exchange believes that the proposed changes in the tier structure for these market participants should provide additional liquidity that enhances the quality of the Exchange's markets and increases the number of trading opportunities on MIAX PEARL for all participants who will be able to compete for such opportunities. The Exchange additionally believes that the proposed changes in volume associated with Non-Penny classes and the opportunity to receive higher rebates and lower fees as a result of achieving the specified volume in Non-Penny classes should provide additional liquidity in Non-Penny classes and encourage order flow for such classes. To the extent that there are market participants that are not able to aggregate order flow with Affiliates, the Exchange believes that this should incent such market participants to direct additional order flow to the Exchange and thus provide additional liquidity that enhances the quality of its markets and increases the volume of contracts traded here especially in Non-Penny classes. This should benefit all market participants and improve competition on the Exchange.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its rebates and fees to remain competitive with other exchanges and to attract order flow. The Exchange believes that the proposed rule changes reflect this competitive environment because they modify the Exchange's fees in a manner that encourages all market participants to provide liquidity and to send order flow to the Exchange.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>19</sup> and Rule 19b-4(f)(2)<sup>20</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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-PEARL-2017-40 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.

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>20</sup> 17 CFR 240.19b-4(f)(2).

All submissions should refer to File Number SR–PEARL–2017–40. 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 (<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–2017–40 and should be submitted on or before February 8, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

[FR Doc. 2018–00724 Filed 1–17–18; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82491; File No. SR–BOX–2018–01]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend BOX Rule 3030 To Establish Rules Related to the Use of Floor Broker Error Accounts

January 11, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the

“Act”),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on January 2, 2018, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend BOX Rule 3030 to establish rules related to the use of Floor Broker error accounts. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's internet website at <http://boxoptions.com>.

#### 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 self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

The Exchange proposes to amend BOX Rule 3030 to establish rules related to the use of Floor Broker error accounts. First, the Exchange proposes that each Participant who conducts a business as a Floor Broker on the Exchange and who is not self-clearing must establish and maintain an account with a clearing Participant of the Exchange, for the sole purpose of carrying positions resulting from bona fide errors made in the course of its floor brokerage business.<sup>3</sup> Further, with

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> A “Bona fide Error” is defined as (i) the inaccurate conveyance or execution of any term of an order including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold;

respect to Floor Brokers only, such an account for option transactions must be maintained with an entity that is also a member of the Options Clearing Corporation.

In practice, a Floor Broker will remedy a bona fide error by entering a subsequent trade on behalf of the customer on the correct terms of the original order. These types of transactions are transactions which broker-dealers place to remedy the execution of customer orders that have been placed in error or mishandled due to an error involving any term of an order, including but not limited to, for example, price, number of contracts, identification of security, or execution of a transaction on the wrong side of the market.

Next, the Exchange proposes that each Participant which conducts business as a Floor Broker must make available to the Exchange, upon request, accurate and complete records of all trades cleared in such Participant's error account. These records must include the following audit trail data elements: (1) Name or identifying symbol of the security; (2) number of shares or quantity of security; (3) transaction price; (4) time of trade execution; (5) executing Floor Broker badge number, or alpha symbol as may be used from time to time, in regard to its side of the contract; (6) executing Floor Broker badge number, or alpha symbol as may be used from time to time, of the contra side to the contract; (7) clearing firm number, or alpha symbol as may be used from time to time, in regard to its side of the contract; (8) clearing firm number, or alpha symbol as may be used from time to time, in regard to the contra side of the contract; (9) designation of whether the account for which the order was executed was that of a Participant; (10) the nature and amount of the error; (11) the Participant that cleared the error trade on the Participant's behalf; (12) an explanation of the means by which the Participant resolved the error; (13) the aggregate amount of liability that the Participant

lost or otherwise misplaced order tickets; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market; (ii) the unauthorized or unintended purchase, sale, or allocation of securities, or the failure to follow specific client instructions; (iii) the incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or (iv) a delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order. See Securities Exchange Act Release No. 55884 (June 8, 2007), 72 FR 32926 (June 14, 2007) (Order Exempting Certain Error Correction Transactions from Rule 611 of Regulation NMS under the Securities Exchange Act of 1934).

<sup>21</sup> 17 CFR 200.30–3(a)(12).