

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 such 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-ISE-2019-05, and should be submitted on or before April 9, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁵

Eduardo A. Aleman,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85304; File No. SR-PEARL-2019-07]

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

March 13, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 28, 2019, MIAX PEARL, LLC ("MIAX PEARL" or "Exchange") filed with the

Securities and Exchange Commission ("SEC" or "Commission") the 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 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) decrease Maker (as defined below) rebates in certain Tiers for options transactions in Penny classes (as defined below) for Priority Customers;³ (ii) increase Taker (as defined below) fees in certain Tiers for options transactions in certain Penny classes (excluding SPY, QQQ, and IWM) for Priority Customers; (iii) decrease Taker fees in certain Tiers for options transactions in QQQ and IWM classes for Priority Customers; (iv) create a new tiered fee structure in Penny classes for Maker rebates for MIAX PEARL Market

Makers⁴ to carve out orders that are contra to Priority Customer Origin and make a corresponding clarifying change to MIAX PEARL Market Maker existing Maker tiers to clarify that it will apply to MIAX PEARL Market Maker orders contra Origins ex Priority Customer; (v) increase Taker fees in certain Tiers for options transactions in Penny classes for MIAX PEARL Market Makers; (vi) create a new tiered fee structure in Penny classes for Taker fees for MIAX PEARL Market Makers to carve out orders that are contra to Priority Customer Origin and make a corresponding clarifying change to MIAX PEARL Market Maker existing Taker tiers to clarify that it will apply to MIAX PEARL Market Maker orders contra Origins ex Priority Customer; (vii) create a new tiered fee structure in Penny classes for Maker rebates for Non-Priority Customers, Firms, Broker-Dealers and Non-MIAX PEARL Market Makers (collectively herein "Professional Members") to carve out orders that are contra to Priority Customer Origin and make a corresponding clarifying change to Professional Member existing Maker tiers to clarify that it will apply to Professional Members orders contra Origins ex Priority Customer; (viii) increase Taker fees in certain Tiers for options transactions in Penny classes for Professional Members; (ix) create a new tiered fee structure in Penny classes for Taker fees for Professional Members to carve out orders that are contra to Priority Customer Origin and make a corresponding clarifying change to Professional Member existing Taker tiers to clarify that it will apply to Professional Members orders contra Origins ex Priority Customer; and (x) and make a non-substantive technical correction to remove VXX from the Taker fee carve out that applies to all Penny classes other than SPY, QQQ, IWM, and VXX, for Priority Customers.

The Exchange currently assesses transaction rebates and fees to all market participants which are based upon the total monthly volume executed by the Member⁵ on MIAX PEARL in the relevant, respective origin type (not including Excluded

⁴ "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.

⁵ "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 Definitions Section of the Fee Schedule and Exchange Rule 100.

³⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ "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.

Contracts)⁶ expressed as a percentage of TCV.⁷ 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.⁸ Members that place resting liquidity, *i.e.*, orders resting on the book of the MIAX PEARL System,⁹

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 Program¹⁰ (“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. Transaction rebates and fees in Section (1)(a) of the Fee Schedule are currently assessed according to the following tables:

| Origin | Tier | Volume criteria | Per contract rebates/fees for Penny classes | | | | Per contract rebates/fees for Non-Penny classes | |
|--------------------|------|-------------------|---|--------|-----------|---------------------|---|--------|
| | | | Maker | Taker* | SPY taker | QQQ, IWM, VXX taker | Maker | Taker* |
| Priority Customer. | 1 | 0.00%–0.10% | (\$0.25) | \$0.48 | \$0.43 | \$0.47 | (\$0.85) | \$0.84 |
| | 2 | Above 0.10%–0.35% | (0.40) | 0.46 | 0.43 | 0.46 | (0.95) | 0.84 |
| | 3 | Above 0.35%–0.50% | (0.45) | 0.44 | 0.42 | 0.44 | (1.00) | 0.84 |
| | 4 | Above 0.50%–0.75% | (0.52) | 0.44 | 0.41 | 0.43 | (1.03) | 0.84 |
| | 5 | Above 0.75%–1.25% | (0.53) | 0.44 | 0.40 | 0.42 | (1.04) | 0.84 |
| | 6 | Above 1.25% | (0.53) | 0.43 | 0.38 | 0.40 | (1.04) | 0.84 |

*For all Penny Classes other than SPY, QQQ, IWM, and VXX.

| 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%–0.15% | (\$0.25) | \$0.50 | (\$0.30) | \$1.10 |
| | 2 | Above 0.15%–0.40% or Above 0.45% in SPY/QQQ/IWM. | (0.40) | 0.50 | (0.30) | 1.10 |
| | 3 | Above 0.40%–0.65% | (0.40) | 0.48 | (0.60) | 1.09 |
| | 4 | Above 0.65%–1.00% or Above 2.25% in SPY. | (0.47) | 0.47 | (0.65) | 1.08 |
| | 5 | Above 1.00%–1.40% | (0.48) | 0.45 | (0.70) | 1.07 |
| | 6 | Above 1.40% | (0.48) | 0.44 | (0.85) | 1.06 |

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

⁷ “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.

⁸ “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.

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

¹⁰ See Securities Exchange Act Release No. 84865 (December 19, 2018), 83 FR 66813 (December 27, 2018) (SR–PEARL–2018–26).

| 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%–0.15% | (\$0.25) | \$0.50 | (\$0.30) | \$1.10 |
| | 2 | Above 0.15%–0.40% | (0.40) | 0.50 | (0.30) | 1.10 |
| | 3 | Above 0.40%–0.65% | (0.40) | 0.48 | (0.60) | 1.10 |
| | 4 | Above 0.65%–1.00% | (0.47) | 0.48 | (0.65) | 1.09 |
| | 5 | Above 1.00%–1.40% | (0.48) | 0.48 | (0.70) | 1.08 |
| | 6 | Above 1.40% | (0.48) | 0.48 | (0.85) | 1.07 |

** Members may qualify for the Maker Rebate and the Taker Fee associated with the highest Tier for transactions in Non-Penny classes if the 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 purposes of qualifying for such rates, the Exchange will aggregate the volume transacted by Members and their Affiliates in the following Origin types in Non-Penny classes: MIAX PEARL Market Makers, and Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers.

^ Members may qualify for Maker Rebates equal to the greater of: (A) (0.40) for Penny Classes and (0.65) for Non-Penny Classes, or (B) the amount set forth in the applicable Tier reached by the Member in the relevant Origin, if the Member and their Affiliates execute at least 1.50% volume in the relevant month, in Priority Customer Origin type, in all options classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes.

Except as otherwise set forth herein, the Volume Criteria is calculated based on the total monthly volume executed by the Member in all options classes on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) TCV (as the denominator). In Tier 2 for MIAX PEARL Market Makers, the alternative Volume Criteria (above 0.45% in SPY/QQQ/IWM) is calculated based on the total monthly volume executed by the Market Maker collectively in SPY, QQQ, and IWM options on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) SPY/QQQ/IWM TCV (as the denominator). In Tier 4 for MIAX PEARL Market Makers, the alternative Volume Criteria (above 2.25% in SPY) is calculated based on the total monthly volume executed by the Market Maker solely in SPY options on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) SPY TCV (as the denominator). The per contract transaction rebates and fees shall be applied retroactively to all eligible volume once the threshold has been reached by Member. The Exchange aggregates the volume of Members and their Affiliates in the Add/Remove Tiered Fees. The per contract transaction rebates and fees shall be waived for transactions executed during the opening and for transactions that uncross the ABBO.

Maker Rebates

The Exchange proposes to decrease the Maker rebate amounts in certain Tiers for options transactions in Penny classes for Priority Customers. Specifically, for Priority Customer options transactions in Penny classes, the Exchange proposes to decrease the Maker rebate in Tier 4 from (0.52) to (0.51), in Tier 5 from (0.53) to (0.52), and in Tier 6 from (0.53) to (0.52).

Taker Fees

The Exchange proposes to: (i) Increase the Taker fees assessable to Priority Customers in certain Tiers for options transactions in certain Penny classes (excluding SPY, QQQ, and IWM), (ii) increase the Taker fees assessable to MIAX PEARL Market Makers in certain Tiers for options transactions in Penny classes, (iii) increase the Taker fees assessable to Professional Members in certain Tiers for options transactions in Penny classes, and (iv) decrease the Taker fees assessable to Priority Customers in certain Tiers for options transactions in QQQ and IWM classes.

Specifically, the Exchange proposes to increase the Taker fees for Priority Customer orders in options in certain Penny classes (excluding SPY, QQQ, and IWM) in Tier 2 from 0.46 to 0.48, in Tier 3 from 0.44 to 0.46, and in Tier 4 from 0.44 to 0.45. The Exchange next proposes to increase the Taker fees for MIAX PEARL Market Makers for options transactions in Penny classes in

Tier 3 from 0.48 to 0.49, in Tier 4 from 0.47 to 0.48, in Tier 5 from 0.45 to 0.46, and in Tier 6 from 0.44 to 0.45. The Exchange further proposes to increase the Taker fees for Professional Members for options transactions in Penny classes in Tier 3 from 0.48 to 0.49, and in Tier 4 from 0.48 to 0.49. Lastly, the Exchange proposes to decrease the Taker fees for Priority Customer orders in options in QQQ and IWM classes in Tier 1 from 0.47 to 0.44, and in Tier 2 from 0.46 to 0.44.

New Tiered Fee Structure for MIAX PEARL Market Makers

The Exchange proposes to: (i) Create a new tiered fee structure in Penny classes for Maker rebates for MIAX PEARL Market Makers to carve out orders that are contra to Priority Customer Origin and make a corresponding clarifying change to MIAX PEARL Market Maker existing Maker tiers to clarify that it will apply to MIAX PEARL Market Maker orders contra Origins ex Priority Customer; and (ii) create a new tiered fee structure in Penny classes for Taker fees for MIAX PEARL Market Makers to carve out orders that are contra to Priority Customer Origin and make a corresponding clarifying change to MIAX PEARL Market Maker existing Taker tiers to clarify that it will apply to MIAX PEARL Market Maker orders contra Origins ex Priority Customer. Specifically, the Exchange proposes to

amend the MIAX PEARL Market Maker table to establish a separate, additional tiered structure in Penny classes of Maker rebates for options transactions where the contra order is from a Priority Customer Origin. The Exchange currently does not distinguish Maker rebates for MIAX PEARL Market Makers based on the contra Origin type, but believes that making this distinction will provide greater granularity with respect to Maker rebates. The Exchange also proposes to make a corresponding change to the MIAX PEARL Market Maker table to clarify that the existing Maker rebates would apply to orders from all Origins except for those with a Priority Customer Origin, which would have their own carve out, by inserting the language “Contra Origins ex Priority Customer” right after the word “Maker” in the table.

Further, the Exchange proposes to amend the MIAX PEARL Market Maker table to establish a separate, additional tiered structure in Penny classes of Taker fees for options transactions where the contra order is from a Priority Customer Origin. The Exchange currently does not distinguish Taker fees for MIAX PEARL Market Makers based on the contra Origin, but believes that making this distinction will provide greater granularity with respect to Taker fees. The Exchange also proposes to make a corresponding change to the MIAX PEARL Market Maker table to clarify that the existing Taker fees

would apply to orders from all Origins except for those with a Priority Customer Origin, which would have their own carve out, by inserting the language “Contra Origins ex Priority Customer” right after the word “Taker” in the table.

The Exchange believes that the proposed new tiered fee structure for Maker rebates and Taker fees for MIAX PEARL Market Makers, carving out orders that are contra to Priority Customer Origin and the corresponding changes to the existing tiers will provide more granularity to the Fee Schedule, which will continue to provide appropriate incentives for Exchange Members to provide aggressive liquidity to attract Priority Customer transactions so that they can achieve higher rebates and lower fees. The Exchange believes these rebates and fees should continue to make MIAX PEARL an attractive venue where the Exchange’s Members are incentivized to provide liquidity to attract Priority Customer orders, 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.

New Tiered Fee Structure for Professional Members

The Exchange proposes to: (i) Create a new tiered fee structure in Penny classes for Maker rebates for Professional Members to carve out orders that are contra to Priority Customer Origin and make a corresponding clarifying change to Professional Member existing Maker tiers to clarify that it will apply to Professional Members orders contra Origins ex Priority Customer; and (ii) create a new tiered fee structure in Penny classes for Taker fees for Professional Members to carve out orders that are contra to Priority Customer Origin and make a corresponding clarifying change to Professional Member existing Taker tiers to clarify that it will apply to Professional Member orders contra Origins ex Priority Customer. Specifically, the Exchange proposes to amend the Professional Member table to establish a separate, additional tiered structure in Penny classes of Maker rebates for options transactions where the contra order is from a Priority Customer Origin. The Exchange currently does not distinguish Maker rebates for Professional Members based on the contra Origin type, but believes that making this distinction will provide greater granularity with respect to

Maker rebates. The Exchange also proposes to make a corresponding change to the Professional Member table to clarify that the existing Maker rebates would apply to orders from all Origins except for those with a Priority Customer Origin, which would have their own carve out, by inserting the language “Contra Origins ex Priority Customer” right after the word “Maker” in the table.

Further, the Exchange proposes to amend the Professional Member table to establish a separate, additional tiered structure in Penny classes of Taker fees for options transactions where the contra order is from a Priority Customer Origin. The Exchange currently does not distinguish Taker fees for Professional Members based on the contra Origin, but believes that making this distinction will provide greater granularity with respect to Taker fees. The Exchange also proposes to make a corresponding change to the Professional Member table to clarify that the existing Taker fees would apply to orders from all Origins except for those with a Priority Customer Origin, which would have their own carve out, by inserting the language “Contra Origins ex Priority Customer” right after the word “Taker” in the table.

The Exchange believes that the proposed new tiered fee structure in Penny classes for Maker rebates and Taker fees for Professional Members, carving out orders that are contra to Priority Customer Origin and the corresponding changes to the existing tiers will provide more granularity to the Fee Schedule, which will continue to provide appropriate incentives for Exchange Members to provide aggressive liquidity to attract Priority Customer transactions so that they can achieve higher rebates and lower fees. The Exchange believes these rebates and fees should continue to make MIAX PEARL an attractive venue where the Exchange’s Members are incentivized to provide liquidity to attract Priority Customer orders, 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.

Technical Correction

The Exchange proposes to make a non-substantive technical correction to remove VXX from the Taker fee carve out that applies to all Penny classes other than SPY, QQQ, IWM, and VXX, for Priority Customers. By way of background, VXX options were

authorized to be listed for trading on the Exchange pursuant to Rule 402, but are no longer listed for trading since the VXX ETN matured on January 30, 2019¹¹ and VXX ETN shares are no longer listed for trading on equity trading venues. Accordingly, the Exchange proposes to amend its Fee Schedule to delete the symbol VXX from the Taker fee carve out that applies to all Penny classes other than SPY, QQQ, IWM, and VXX, for Priority Customers. Specifically, the Exchange proposes to delete the symbol VXX from the “QQQ, IWM, VXX Taker” column of the Exchange Rebates/Fees—Add/Remove Tiered Rebates/Fees, for Priority Customer transactions, and to delete VXX from the explanatory sentence beneath the Priority Customer table (referenced by way of an asterisk to the Taker fee) to make it clear that VXX will no longer be carved out from the Taker fee that applies to all Penny classes other than SPY, QQQ, and IWM. The amendment to remove VXX as a carve out from the Taker fee that applies to all Penny classes other than SPY, QQQ, IWM, and VXX, for Priority Customers, is intended to eliminate any potential confusion and to make it clear to market participants that VXX will no longer be part of the carve out that will continue to apply to Priority Customer transactions in SPY, QQQ, and IWM.

The purpose of adjusting the specified Taker fees and the specified Maker rebates is for business and competitive reasons. In order to attract order flow, the Exchange initially set its Maker rebates and Taker fees so that they were meaningfully higher/lower than other options exchanges that operate comparable maker/taker pricing models.¹² The Exchange now believes that it is appropriate to further adjust these specified Maker rebates and Taker fees so that they are more in line with other exchanges, but will still remain highly competitive such that they should enable the Exchange to continue to attract order flow and maintain market share.¹³

Cboe BZX Exchange, Inc. (“Cboe BZX”) generally provides for similar fees and rebates. For example, under threshold criteria similar to MIAX PEARL’s proposed Maker rebates in Priority Customer Tiers 4, 5 and 6 for

¹¹ See Prospectus and Pricing Supplement for iPath S&P 500 VIX Short-Term Futures ETN available at <http://www.ipathetn.com/US/16/en/documentation.app?instrumentId=259118&documentId=6204338>.

¹² See Securities Exchange Act Release Nos. 80915 (June 13, 2017), 82 FR 27912 (June 19, 2017) (SR-PEARL-2017-29); 80914 (June 13, 2017), 82 FR 27910 (June 19, 2017) (SR-PEARL-2017-30).

¹³ See Cboe BZX Options Exchange Fee Schedule, under “Transaction Fees.”

Penny classes, Cboe BZX's Customer Penny Pilot Add Tiers 3, 4 and 5 provides for rebates of \$0.51, \$0.52, and \$0.53, respectively.¹⁴ Additionally, under threshold criteria similar to MIA X PEARL's proposed Taker fees in Priority Customer Tiers 2, 3 and 4; and in Priority Customer transactions in QQQ and IWM, Tiers 1 and 2 for Penny classes, Cboe BZX charges a fee of \$0.50 for Customer Penny Pilot transactions that remove liquidity.¹⁵ Additionally, under threshold criteria similar to MIA X PEARL's proposed Taker fees in Market Maker Tiers 3, 4, 5 and 6 for Penny classes, Cboe BZX charges Market Makers a fee of \$0.44, \$0.47 and \$0.44 for non-Customer Penny Pilot Take Volume Tiers 1, 2 and 3, respectively.¹⁶

Finally, under threshold criteria similar to MIA X PEARL's proposed Taker fees in Professional Member Tiers 3 and 4 for Penny classes, Cboe BZX charges Professionals a fee of \$0.47 and \$0.44 for non-Customer Penny Pilot Take Volume Tiers 2 and 3, respectively.¹⁷ Further, BOX Exchange LLC ("BOX") generally provides for a similar tiered structure of rebates and fees. Specifically, similar to MIA X PEARL's proposed tiered fee structure for Maker rebates and Taker fees for MIA X PEARL Market Makers and Professional Members, carving out orders that are contra to Priority Customer Origin, BOX has different rebates and fees depending on the contra party.¹⁸ For example, for orders submitted by Professional

Customers or Broker Dealers, BOX offers different rebates and charges different fees depending on whether the contra is a Public Customer, Professional Customer/Broker Dealer, or Market Maker,¹⁹ which is similar to MIA X PEARL's proposed tiered rebate and fee structure for Professional Members. Similarly, like MIA X PEARL's proposed tiered rebate and fee structure for Market Makers, BOX offers different rebates and charges different fees depending on whether the contra party to a Market Maker order is a Public Customer, Professional Customer/Broker Dealer or a Market Maker.²⁰ With all proposed changes, Section (1)(a) of the Fee Schedule shall be the following:

| Origin | Tier | Volume criteria | Per contract rebates/fees for Penny classes | | | | Per contract rebates/fees for Non-Penny classes | |
|--------------------|------|--------------------|---|---------|-----------|----------------|---|--------|
| | | | Maker | Taker * | SPY taker | QQQ, IWM taker | Maker | Taker |
| Priority Customer. | 1 | 0.00%–0.10% | (\$0.25) | \$0.48 | \$0.43 | \$0.44 | (\$0.85) | \$0.84 |
| | 2 | Above 0.10%–0.35%. | (0.40) | 0.48 | 0.43 | 0.44 | (0.95) | 0.84 |
| | 3 | Above 0.35%–0.50%. | (0.45) | 0.46 | 0.42 | 0.44 | (1.00) | 0.84 |
| | 4 | Above 0.50%–0.75%. | (0.51) | 0.45 | 0.41 | 0.43 | (1.03) | 0.84 |
| | 5 | Above 0.75%–1.25%. | (0.52) | 0.44 | 0.40 | 0.42 | (1.04) | 0.84 |
| | 6 | Above 1.25% | (0.52) | 0.43 | 0.38 | 0.40 | (1.04) | 0.84 |

* For all Penny Classes other than SPY, QQQ, and IWM.

| Origin | Tier | Volume criteria | Per contract rebates/fees for Penny classes | | | | Per contract rebates/fees for Non-Penny classes | |
|--------------------------------|------|---|---|---|---|---|---|----------|
| | | | Maker (contra origins ex priority customer) | Maker (contra priority customer origin) | Taker (contra origins ex priority customer) | Taker (contra priority customer origin) | Maker ** | Taker ** |
| All MIA X PEARL Market Makers. | 1 | 0.00%–0.15% | (0.25) | (0.23) | 0.50 | 0.50 | (0.30) | 1.10 |
| | 2 | Above 0.15%–0.40% or Above 0.45% in SPY/QQQ/ IWM. | (0.40) | (0.38) | 0.50 | 0.50 | (0.30) | 1.10 |
| | 3 | Above 0.40%–0.65%. | (0.40) | (0.38) | 0.49 | 0.50 | (0.60) | 1.09 |
| | 4 | Above 0.65%–1.00% or Above 2.25% in SPY. | (0.47) | (0.45) | 0.48 | 0.49 | (0.65) | 1.08 |
| | 5 | Above 1.00%–1.40%. | (0.48) | (0.46) | 0.46 | 0.47 | (0.70) | 1.07 |

¹⁴ See Cboe BZX Options Exchange Fee Schedule, under "Transaction Fees," "Customer Penny Pilot Add Tiers."

¹⁵ See Cboe BZX Options Exchange Fee Schedule, under "Transaction Fees," "Customer Remove Rates."

¹⁶ See Cboe BZX Options Exchange Fee Schedule, under "Transaction Fees," "Non-Customer Penny Pilot Take Volume Tiers."

¹⁷ See *id.*

¹⁸ See BOX Options Section I., Electronic Transaction Fees.

¹⁹ See *id.*

²⁰ See *id.*

| Origin | Tier | Volume criteria | Per contract rebates/fees for Penny classes | | | | Per contract rebates/fees for Non-Penny classes | |
|--|------|--------------------|---|---|---|---|---|----------|
| | | | Maker (contra origins ex priority customer) | Maker (contra priority customer origin) | Taker (contra origins ex priority customer) | Taker (contra priority customer origin) | Maker ** | Taker ** |
| | 6 | Above 1.40% | (0.48) | (0.47) | 0.45 | 0.46 | (0.85) | 1.06 |
| Origin | Tier | Volume criteria | Per contract rebates/fees for Penny classes | | | | Per contract rebates/fees for Non-Penny classes | |
| | | | Maker ^ (contra origins ex priority customer) | Maker ^ (contra priority customer origin) | Taker (contra origins ex priority customer) | Taker (contra priority customer origin) | Maker ** ^ | Taker ** |
| Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers. | 1 | 0.00%–0.15% | (\$0.25) | (\$0.23) | \$0.50 | \$0.50 | (\$0.30) | \$1.10 |
| | 2 | Above 0.15%–0.40%. | (0.40) | (0.38) | 0.50 | 0.50 | (0.30) | 1.10 |
| | 3 | Above 0.40%–0.65%. | (0.40) | (0.38) | 0.49 | 0.50 | (0.60) | 1.10 |
| | 4 | Above 0.65%–1.00%. | (0.47) | (0.45) | 0.49 | 0.50 | (0.65) | 1.09 |
| | 5 | Above 1.00%–1.40%. | (0.48) | (0.46) | 0.48 | 0.50 | (0.70) | 1.08 |
| | 6 | Above 1.40% | (0.48) | (0.46) | 0.48 | 0.50 | (0.85) | 1.07 |

** Members may qualify for the Maker Rebate and the Taker Fee associated with the highest Tier for transactions in Non-Penny classes if the 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 purposes of qualifying for such rates, the Exchange will aggregate the volume transacted by Members and their Affiliates in the following Origin types in Non-Penny classes: MIAX PEARL Market Makers, and Non-Priority Customer, Firm, BD, and Non-MIAX PEARL Market Makers.

^ Members may qualify for Maker Rebates equal to the greater of: (A) (\$0.40) for Penny Classes and (\$0.65) for Non-Penny Classes, or (B) the amount set forth in the applicable Tier reached by the Member in the relevant Origin, if the Member and their Affiliates execute at least 1.50% volume in the relevant month, in Priority Customer Origin type, in all options classes, not including Excluded Contracts, as compared to the TCV in all MIAX PEARL listed option classes.

Except as otherwise set forth herein, the Volume Criteria is calculated based on the total monthly volume executed by the Member in all options classes on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) TCV (as the denominator). In Tier 2 for MIAX PEARL Market Makers, the alternative Volume Criteria (above 0.45% in SPY/QQQ/IWM) is calculated based on the total monthly volume executed by the Market Maker collectively in SPY, QQQ, and IWM options on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) SPY/QQQ/IWM TCV (as the denominator). In Tier 4 for MIAX PEARL Market Makers, the alternative Volume Criteria (above 2.25% in SPY) is calculated based on the total monthly volume executed by the Market Maker solely in SPY options on MIAX PEARL in the relevant Origin type, not including Excluded Contracts, (as the numerator) expressed as a percentage of (divided by) SPY TCV (as the denominator). The per contract transaction rebates and fees shall be applied retroactively to all eligible volume once the threshold has been reached by Member. The Exchange aggregates the volume of Members and their Affiliates in the Add/Remove Tiered Fees. The per contract transaction rebates and fees shall be waived for transactions executed during the opening and for transactions that uncross the ABBO.

The proposed changes are scheduled to become operative March 1, 2019.

2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act²¹ in general, and furthers the objectives of Section 6(b)(4) of the Act,²² 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,²³ 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 proposed Maker rebate decreases in certain specified Tiers applicable to orders submitted by Priority Customers in Penny classes are reasonable, equitable and not unfairly discriminatory because all similarly situated market participants in the same Origin type are subject to the same tiered Maker rebates and access to the

Exchange is offered on terms that are not unfairly discriminatory. The Exchange believes it is equitable and not unfairly discriminatory to reduce the Maker rebate to Priority Customer orders in Penny classes because for competitive and business reasons, the Exchange initially set its Maker rebates for such orders higher than certain other options exchanges that operate comparable maker/taker pricing models.²⁴ The Exchange now believes that it is appropriate to further decrease those specified Maker rebates so that they are more in line with other exchanges, and will still remain highly competitive such that they should

²¹ 15 U.S.C. 78f(b).

²² 15 U.S.C. 78f(b)(4).

²³ 15 U.S.C. 78f(b)(1) and (b)(5).

²⁴ See supra note 13.

enable the Exchange to continue to attract order flow and maintain market share.²⁵

Furthermore, the proposed decreases to the Maker rebates for Priority Customers 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 even with the decreases, the Exchange's proposed Maker rebates for such orders still remain highly competitive with certain other options exchanges offering comparable pricing models, and should enable the Exchange to continue to attract order flow and maintain market share.²⁶ The Exchange believes that the amount of such fees, as proposed to be decreased, will continue to encourage those market participants to send orders to the Exchange.

The proposed Taker fee adjustments in certain specified Tiers applicable to certain orders submitted by Priority Customers in Penny classes (excluding SPY, QQQ, and IWM), Priority Customers in QQQ and IWM, MIAX PEARL Market Makers in Penny classes, and Professional Members in Penny classes are reasonable, equitable and not unfairly discriminatory because all similarly situated market participants in the same Origin type are subject to the same tiered Taker fees and access to the Exchange is offered on terms that are not unfairly discriminatory. For competitive and business reasons, the Exchange initially set its Taker fees for such orders generally lower than certain other options exchanges that operate comparable maker/taker pricing models.²⁷ The Exchange now believes that it is appropriate to further increase those specified Taker fees so that they are more in line with other exchanges, and will still remain highly competitive such that they should enable the Exchange to continue to attract order flow and maintain market share. The Exchange further believes that it is appropriate to decrease the Taker fees for Priority Customers in QQQ and IWM because these select products are generally more liquid than other options classes. The Exchange notes that, even as amended, its Taker fees are generally lower than certain other options exchanges operating competing models.²⁸ The Exchange believes for these reasons that increasing certain Taker fees for transactions in the specified Tiers is equitable, reasonable

and not unfairly discriminatory, and thus consistent with the Act.

Furthermore, the proposed adjustments to the Taker fees for Priority Customers in certain Penny classes (excluding SPY, QQQ, and IWM), Priority Customers in QQQ and IWM, MIAX PEARL Market Makers in Penny classes, and Professional Members in Penny classes 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 even with the increases to Taker fees for Priority Customers in certain Penny classes (excluding SPY, QQQ, and IWM), MIAX PEARL Market Makers in Penny classes, and Professional Members in Penny classes, and the decreases to Taker fees for Priority Customers in QQQ and IWM, the Exchange's proposed Taker fees for such orders still remain highly competitive with certain other options exchanges offering comparable pricing models, and should enable the Exchange to continue to attract order flow and maintain market share.²⁹ The Exchange believes that the amount of such fees, as proposed to be adjusted, will continue to encourage those market participants to send orders to the Exchange. To the extent that order flow is increased by the proposal, market participants will increasingly compete for the opportunity to trade on the Exchange, including sending more orders which will have the potential to be assessed lower fees and higher rebates than certain other competing options exchanges. The resulting increased volume and liquidity will benefit all Exchange participants by providing more trading opportunities and tighter spreads.

The Exchange believes that the proposed new tiered fee structure for Maker rebates and Taker fees for MIAX PEARL Market Makers and Professional Members, carving out orders that are contra to Priority Customer Origin and the corresponding changes to the existing tiers are reasonable, equitable and not unfairly discriminatory because the new tiered fee structures is consistent with other options markets that also assess different transaction fees depending on the contra Origin.³⁰ Additionally, the Exchange believes proposal is reasonable, equitable and not unfairly discriminatory because all similarly situated market participants in the same Origin type are subject to the same tiered Maker rebates and Taker

fees and access to the Exchange is offered on terms that are not unfairly discriminatory. The Exchange believes the proposed new tiered fee structure 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 the proposal provides more granularity to the Fee Schedule, which will continue to provide appropriate incentives for Exchange Members to provide aggressive liquidity to attract Priority Customer transactions so that they can achieve higher rebates and lower fees. The Exchange believes these rebates and fees should continue to make MIAX PEARL an attractive venue where the Exchange's Members are incentivized to submit Priority Customer orders, deepening and enhancing the quality of the MIAX PEARL marketplace. This will benefit all market participants through increased liquidity, tighter markets and greater order interaction.

Further, the Exchange believes that removing VXX from the Taker fee carve out that currently applies to Penny classes other than SPY, QQQ, IWM, and VXX, for Priority Customers, is reasonable, equitable and not unfairly discriminatory because this proposal is intended only as a technical correction as VXX options are no longer listed for trading on the Exchange, and therefore, will no longer be included in the Taker fee carve out. The Exchange believes that removing VXX from the Taker fee carve out 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 and make it clear to market participants that VXX will no longer be included in the Taker fee carve out as VXX options are no longer listed for trading on the Exchange as a result of the VXX ETN maturity on January 30, 2019.³¹

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 Exchange believes that the proposed changes in the specified Maker rebates and Taker fees for the applicable market participants should continue to encourage the provision of liquidity that enhances the quality of the Exchange's

²⁵ See *supra* note 14.

²⁶ See *id.*

²⁷ See *supra* notes 15 and 16.

²⁸ See *id.*

²⁹ See *id.*

³⁰ See *supra* note 18.

³¹ See *supra* note 11.

market and increases the number of trading opportunities on MIAX PEARL for all participants who will be able to compete for such opportunities. The proposed rule change should enable the Exchange to continue to attract and compete for order flow with other exchanges. However, this competition does not create an undue burden on competition but rather offers all market participants the opportunity to receive the benefit of competitive pricing.

The proposed Maker rebate decreases and Taker fee adjustments are intended to keep the Exchange's fees highly competitive with those of other exchanges, and to encourage liquidity and should enable the Exchange to continue to attract and compete for order flow with other exchanges. 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 market participants to continue to provide liquidity and to send order flow to the Exchange.

The Exchange believes that the proposed new tiered fee structure for Maker rebates and Taker fees for MIAX PEARL Market Makers and Professional Members, carving out orders that are contra to Priority Customer Origin and the corresponding changes to the existing tiers are intended to keep the Exchange's fees highly competitive with those of other exchanges, and to encourage liquidity and should enable the Exchange to continue to attract and compete for order flow with other exchanges which offer comparable tiered fee structures for Maker rebates and Taker fees which distinguish by contra Origin type.

Further, the Exchange does not believe that removing VXX from the Taker fee carve out that currently applies to Penny classes other than SPY, QQQ, IWM, and VXX, for Priority Customers, will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act because the proposal to remove VXX from the Taker fee carve out is intended only as a technical correction, as VXX options are no longer listed for trading on the Exchange, and therefore, will no longer be included in the Taker fee carve out. Additionally, this proposed rule change

would eliminate any potential confusion and make it clear to market participants that VXX will no longer be included in the Taker fee carve out as VXX options are no longer listed for trading on the Exchange as a result of the VXX ETN maturity on January 30, 2019.³²

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,³³ and Rule 19b-4(f)(2)³⁴ 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. Please include File Number SR-PEARL-2019-07 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-2019-07. 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

³² See *id.*

³³ 15 U.S.C. 78s(b)(3)(A)(ii).

³⁴ 17 CFR 240.19b-4(f)(2).

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 offices 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-2019-07, and should be submitted on or before April 9, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁵

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meetings

TIME AND DATE: 2:00 p.m. on Thursday, March 21, 2019.

PLACE: The meeting will be held at the Commission's headquarters, 100 F Street NE, Washington, DC 20549.

STATUS: This meeting will be closed to the public.

MATTERS TO BE CONSIDERED:

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or

³⁵ 17 CFR 200.30-3(a)(12).