SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–88132; File No. SR–PEARL–2020–03]

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing of a Proposed Rule Change To Adopt Rules Governing the Trading of Equity Securities

February 6, 2020.

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 January 24, 2020, MIAX PEARL, LLC (''MIAX PEARL'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to adopt rules to govern the trading of equity securities on the Exchange (referred to herein as ''PEARL Equities''). 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 adopt a series of rules in connection with PEARL Equities, which will be a facility of the Exchange. PEARL Equities will operate an electronic trading system developed to trade equity securities (the ''System'') leveraging the Exchange's existing robust and resilient technology platform. The fundamental premise of the proposal is that the Exchange will operate its equity market in a manner similar to that of other equity exchanges, with a suite of order types and deterministic functionality that will provide much needed competition to the existing three dominant exchange groups. The proposed functionality for PEARL Equities is similar to that offered by other equity exchanges, such as the Cboe BYX Exchange, Inc., (''BYX''), Cboe BZX Exchange, Inc., (''BZX''), Cboe EDGA Exchange, Inc., (''EDGA''), Cboe EDGX Exchange, Inc. (''EDGX'', together with BYX, BZX, and EDGA, the ''Cboe Equities Exchanges''), the Investors Exchange LLC (''IEX''), the New York Stock Exchange LLC (NYSE''), NYSE Arca, Inc. (''NYSE Arca''), and the Nasdaq Stock Market LLC (''Nasdaq''). However, other than where described below, the text of each of the proposed rules described in this proposal may differ from the rules of the other equity exchanges to provide additional specificity or to conform to the proposed structure of the PEARL Equities rule set.

The System will provide for the electronic execution of orders in equity securities as described below. All Exchange Members will be eligible to participate in PEARL Equities, provided that the Exchange has specifically authorized them to trade in the System. The System will provide a routing service for orders when trading interest is not available on PEARL Equities, and will comply with all applicable securities laws and regulations, including Regulation NMS,[3] Regulation SHO,[4] and the Plan to Address Extraordinary Market Volatility (the ''LULD Plan'').[5]

PEARL Equities Members

The Exchange will authorize any Exchange Member who meets certain enumerated qualification requirements to obtain access to PEARL Equities (any such Member, an ''Equity Member''). There will be two basic types of Equity Members: Equity Order Entry Firms (''OEF'') and Equities Market Makers. OEFs will be those Equity Members representing orders as agent on PEARL Equities and non-market maker participants conducting proprietary trading as principal. Equities Market Makers are Equity Members registered with the Exchange as Equities Market Makers.

To become an Equities Market Maker, an Equities Member is required to register by filing a registration request with the Exchange pursuant to proposed Exchange Rule 2605.[6] Registration as an Equities Market Maker will become effective on the day the registration request is submitted to the Exchange. An Equities Market Maker's registration in an issue will be terminated if the market maker fails to enter quotations in the issue within five (5) business days after the market makers registration in the issue becomes effective.

An unlimited number of Equities Market Makers may be registered in each equity security unless the number of Market Makers registered to make a market in a particular equity security should be limited whenever, in the Exchange's judgement, quotation system capacity in an equity security is not sufficient to support additional Market Makers in such equity security. The Exchange will not restrict access in any particular equity security until such time the Exchange has submitted objective standards for restricting access to the Commission for its review and approval.

Equities Market Makers will be required to electronically engage in a course of dealing to enhance liquidity available on PEARL Equities and to assist in the maintenance of a fair and orderly market. Among other things, under proposed Exchange Rule 2606(a)(1),[7] each Equities Market Maker will have to, on a daily basis, maintain a two-sided market on a continuous basis during regular market hours for each equity security in which it is registered as an Equities Market Maker (''Two-Sided Obligation'').

For each equity security in which it is registered, an Equities Market Maker must adhere to the pricing obligations set forth under proposed Exchange Rule 2606(a)(2) during Regular Trading Hours. An Equities Market Maker's pricing obligations shall not commence until the first regular way transaction is reported by the primary listing market for the security, as reported by the responsible single plan processor, and shall be suspended during a trading

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 17 CFR 242.600, *et seq.*

[4] 17 CFR 242.200, *et seq.*

[5] *See* Securities Exchange Act Release Nos. 67091, 77 FR 33498 (June 6, 2012) (File No. 4–631) (''Plan Approval Order'') (approving Plan as amended); *and* 85623, 84 FR 16086 (April 17, 2019) (approving, among other things, the operation of the Plan on a permanent basis).

[6] Proposed Exchange Rule 2605 is substantially similar to IEX Rule 11.150.

[7] Proposed Exchange Rule 2606 is substantially similar to IEX Rule 11.151, BYX *and* BZX Rules 11.8(d)(2)(D) *and* (E) *and* EDGA *and* EDGX Rules 11.20(d)(2)(D) *and* (E).

halt, suspension, or pause, and shall not recommence until after until the first regular way transaction is reported by the primary listing market for the security, as reported by the responsible single plan processor.

Proposed Exchange Rule 2606(a)(3) and (4) require that at the time of entry of bid (sell) interest satisfying the Two-Sided Obligation, the price of the bid (sell) interest shall be not more than the Designated Percentage, lower (higher) than the then current NBB (NBO), or if no NBB (NBO), not more than the Designated Percentage lower (higher) than the last reported sale from the responsible single plan processor. In the event that the NBB (NBO) (or if no NBB (NBO), the last reported sale) increases (decreases) to a level that will cause the bid (sell) interest of the Two-Sided Obligation to be more than the Defined Limit lower (higher) than the NBB (NBO) (or if no NBB (NBO), the last reported sale), or if the bid (sell) is executed or cancelled, the Equities Market Maker shall enter new bid (sell) interest at a price not more than the Designated Percentage lower (higher) than the then current NBB (NBO) (or if no NBB (NBO), the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

Proposed Exchange Rule 2606(a)(5) will provide that the NBBO shall be determined by the Exchange in accordance with its procedures for determining protected quotations under Rule 600 under Regulation NMS.

Proposed Exchange Rule 2606(a)(6) [8] provides that the ''Designated Percentage'' shall be 8% for Tier 1 NMS Stocks under the LULD Plan, 28% for Tier 2 NMS Stocks under the LULD Plan with a price equal to or greater than $1.00, and 30% for Tier 2 NMS Stocks under the LULD Plan with a price less than $1.00, except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, when Exchange Rule 2622(b) is not in effect, the Designated Percentage shall be 20% for Tier 1 NMS Stocks under the LULD Plan, 28% for Tier 2 NMS Stocks under the LULD Plan with a price equal to or greater than $1.00, and 30% for Tier 2 NMS Stocks under the LULD Plan with a price less than $1.00.

Proposed Exchange Rule 2606(a)(7) [9] provides that the ''Defined Limit'' shall be 9.5% for Tier 1 NMS Stocks under the LULD Plan, 29.5% for Tier 2 NMS Stocks under the LULD Plan with a price equal to or greater than $1.00, and 31.5% for Tier 2 NMS Stocks under the LULD Plan with a price less than $1.00, except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, when Exchange Rule 2622(b) is not in effect, the Defined Limit shall be 21.5% for Tier 1 NMS Stocks under the LULD Plan, 29.5% for Tier 2 NMS Stocks under the LULD Plan with a price equal to or greater than $1.00, and 31.5% for Tier 2 NMS Stocks under the LULD Plan with a price less than $1.00.

Proposed Exchange Rule 2606(a)(8) will specify that Equities Market Markers will not be precluded from quoting at price levels that are closer to the NBBO than the levels required by proposed Exchange Rule 2606(a).

Proposed Exchange Rule 2606(a)(9) will specify that the minimum quotation increment for quotations of $1.00 or above in all Equity Securities shall be $0.01. The minimum quotation increment in the System for quotations below $1.00 in Equity Securities shall be $0.0001. This provision is consistent with proposed Exchange Rule 2612, described below.

Proposed Exchange Rule 2606(a)(10) will provide that the individual Market Participant Identifier (''MPID'') assigned to an Equities Market Maker to meet its Two-Sided Obligation pursuant to subparagraph (a)(1) of this Exchange Rule shall be referred to as the Equities Market Maker's ''Primary MPID.'' Equities Market Makers may request the use of additional MPIDs that shall be referred to as ''Supplemental MPIDs.'' An Equities Market Maker that ceases to meet the obligations appurtenant to its Primary MPID in any security shall not be permitted to use a Supplemental MPID for any purpose in that security.

Proposed Exchange Rule 2606(a)(11) provides that Equities Market Makers that are permitted the use of Supplemental MPIDs pursuant to proposed Exchange Rule 2606(a)(10) will be subject to the same rules applicable to the Equities Market Maker's first quotation under its Primary MPID, with one exception: The continuous two-sided quote requirement and excused withdrawal procedures described in proposed Exchange Rule 2607, described below, do not apply to Equities Market Makers' Supplemental MPIDs. Supplemental MPIDs may be identified to the Exchange as interest to satisfy an Equities Market Maker's two-sided obligation, in which case in order to be satisfactory, the Supplemental MPID's interest must be no more than the Designated Percentage from the NBBO as described and defined in proposed Exchange Rule 2606(a).

Proposed Exchange Rule 2606(b) requires that all quotations and orders to buy and sell entered into the System by Equities Market Makers be firm and automatically executable for their displayed and non-displayed size in the System by all Users. A particular Equities Market Maker's quotations may be cancelled rather than executed if designated with a Self-Trade Prevention (''STP'') modifier which is the same as that of an active opposite side order and originating from the same group type as the Equities Market Maker's orders to buy or sell, as set forth in proposed Exchange Rule 2614(f). Notwithstanding the foregoing, Equities Market Makers may not use STP modifiers to evade the firm quotation obligation.

Proposed Exchange Rule 2606(c) provides that in the event that an Equities Market Maker's ability to enter or update quotations is impaired, the Equities Market Maker shall immediately contact Exchange Trading Operations to request the withdrawal of its quotations. In the event that an Equities Market Maker's ability to enter or update quotations is impaired and the Equities Market Maker elects to remain in PEARL Equities, the Equities Market Maker shall execute an offer to buy or sell received from another Equity Member at its quotations as disseminated through the Exchange.

Equities Market Makers receive certain benefits for carrying out their duties. For example, a lender may extend credit to a broker-dealer without regard to the restrictions in Regulation T of the Board of Governors of the Federal Reserve System if the credit is to be used to finance the broker-dealer's activities as a specialist or market maker on a national securities exchange. Thus, an Equities Market Maker has a corresponding obligation to hold itself out as willing to buy and sell equities for its own account on a regular and continuous basis to justify this favorable treatment. The Exchange believes that the proposed Two-Sided Quotation requirement for all Equities Market Makers is consistent with that typically required of market makers of similar status on other national securities exchanges.

Proposed Exchange Rule 2607 provides for Equites Market Makers to withdraw their quotations. Proposed Exchange Rule 2608 provides for Equities Market Makers to voluntarily terminate their registration with the Exchange. Proposed Exchange Rule 2609 will allow the Exchange to, pursuant to the procedures set forth in Chapter IX, suspend, condition, limit,

[8] Proposed Exchange Rule 2606(a)(6) is substantially similar to IEX Rule 11.151(a)(6).

[9] Proposed Exchange Rule 2606(a)(7) is substantially similar to IEX Rule 11.151(a)(7).

prohibit or terminate the authority of an Equities Market Maker or Equity Member to enter quotations in one or more authorized securities for violations of applicable requirements or prohibitions. Each of these proposed Exchange Rules are consistent with the rules of other exchanges regarding the withdrawal or suspension of quotations and termination of a market maker's registration.[10]

Every Equity Member shall at all times maintain membership in another registered exchange that is not registered solely under Section 6(g) of the Exchange Act or with the Financial Industry Regulatory Authority (''FINRA''). OEFs that transact business with customers must at all times be members of FINRA.

Further, proposed Exchange Rule 2604[11] provides that an Equity Member shall maintain a list of Authorized Traders (''ATs''), defined below, who may obtain access to the Trading System on behalf of the Equity Member or the Equity Member's Sponsored Participants. The Equity Member shall update the list of ATs as necessary. Equity Members must provide the list of ATs to the Exchange upon request. An Equity Member must have reasonable procedures to ensure that all ATs comply with all Exchange Rules and all other procedures related to the System. An Equity Member must suspend or withdraw a person's status as an AT if the Exchange has determined that the person has caused the Member to fail to comply with the Rules of the Exchange and the Exchange has directed the Equity Member to suspend or withdraw the person's status as an AT. An Equity Member must have reasonable procedures to ensure that the ATs maintain the physical security of the equipment for accessing the facilities of the Exchange to prevent the improper use or access to the systems, including unauthorized entry of information into the systems. To be eligible for registration as an AT of an Equity Member a person must successfully complete the General Securities Representative Examination (Series 7), the Securities Traders Qualification Examination (Series 57), or an equivalent foreign examination module approved by the Exchange, as defined in Interpretation and Policy .09 to Exchange Rule 3100, and any other training and/or certification programs as may be required by the Exchange.

As provided in proposed Exchange Rule 1900, Applicability, existing Exchange Rules applicable to the PEARL options market contained in Chapters I though XVIII of the Exchange Rules will apply to Equity Members unless a specific Exchange Rule applicable to the equities market (Chapters XIX through XXX of the Exchange Rules) governs or unless the context otherwise requires. Equity Members can therefore provide sponsored access to PEARL Equities to a non-Member (''Sponsored Participant'') pursuant to Exchange Rule 210, Sponsored Access to the Exchange, which is specifically set forth in proposed Exchange Rule 2606(a).[12]

Proposed Exchange Rule 2606(b) will govern conduct on PEARL Equities and provide that Equity Members and persons employed by or associated with any Equity Member, while using the facilities of PEARL Equities, shall not engage in conduct: (1) Inconsistent with the maintenance of a fair and orderly market; (2) apt to impair public confidence in the operations of the Exchange; or (3) inconsistent with the ordinary and efficient conduct of business. Pursuant to the Rules and the arrangements referred to in proposed Exchange Rule 2602, the Exchange may: Suspend an Equity Member's access to the System following a warning; or terminate an Equity Member's access to the System by notice in writing. The timing of such notice will depend on the severity of the Equity Member's misconduct.

Definitions

The Exchange proposes to define a series of terms under current Exchange Rule 100 and proposed Exchange Rule 1901, Definitions, which are to be used in proposed Chapters XIX to XXX relating to the trading of equity securities on the Exchange. Each of the terms defined in current Exchange Rule 100 and proposed Rule 1901 are either identical or substantially similar to definitions included in Rule 1.5 of the Cboe Equity Exchanges rules, NYSE Arca Rule 7.36–E(a), or IEX Rule 1.160.

Each of the definitions under proposed Exchange Rule 1901 are as follows:

- Aggressing Order. The term ''Aggressing Order'' shall mean an order to buy (sell) that is or becomes marketable against sell (buy) interest on the PEARL Equities Book. A resting order may become an Aggressing Order if its working price changes, if the PBBO or NBBO is updated, because of changes to other orders on the PEARL Equities Book, or when processing inbound messages.[13]
- Displayed price. The term ''displayed price'' shall mean the price at which a Limit Order is displayed, which may be different from the limit price or working price of the order.
- Equities Order Entry Firm. The term ''Equities Order Entry Firm'', ''Order Entry Firm'', or ''OEF'', shall mean those Equity Members representing orders as agent on PEARL Equities and those non-Equity Market Maker Members conducting proprietary trading.
- Equities Market Maker. The term ''Equities Market Maker'' shall mean a Member that acts as a Market Maker in Equity Securities, pursuant to Chapter XXVI.
- Equity Member. The term ''Equity Member'' is a Member authorized by the Exchange to transact business on PEARL Equities.
- Equity Securities. The term ''Equity Securities'' shall include any equity security defined as such pursuant to Rule 3a11–1 under the Exchange Act.[14]
- NBB, NBO and NBBO. With respect to the trading of Equity Securities, the term ''NBB'' shall mean the national best bid, the term ''NBO'' shall mean the national best offer, and the term ''NBBO'' shall mean the national best bid and offer.
- PEARL Equities. The term ''PEARL Equities'' shall mean PEARL Equities, a facility of MIAX PEARL, LLC.
- PEARL Equities Book. The term ''PEARL Equities Book'' shall mean the electronic book of orders in Equity Securities maintained by the Trading System.
- Protected NBB, Protected NBO and Protected NBBO. With respect to the trading of Equity Securities, the term ''Protected NBB'' or ''PBB'' shall mean the national best bid that is a Protected Quotation, the term ''Protected NBO'' or ''PBO'' shall mean the national best offer that is a Protected Quotation, and the term ''Protected NBBO'' or ''PBBO'' shall mean the national best bid and offer that is a Protected Quotation.
- Protected Bid, Protected Offer and Protected Quotation. With respect to the

[10] Proposed Exchange Rules 2607, 2608, and 2609 are substantially similar to IEX Rules 11.152, 11.153, and 11.154, respectively, except proposed Exchange Rule 2608(b) does not include the reinstatement limitations as set forth in IEX Rule 11.153(b). *See also* BYX *and* BZX Rules 11.5 through 11.8, *and* EDGA *and* EDGX Rules 11.17 through 11.20, which similarly do not include the reinstatement limitations as set forth in IEX Rule 11.153(b).

[11] Proposed Exchange Rule 2604 is substantially similar to IEX Rule 11.140 and Rule 11.4 of the Cboe Equity Exchanges.

[12] *See* proposed Exchange Rule 2602(a) (providing that, ''[t]he provisions of Rule 210, Sponsored Access to the Exchange, shall be applicable to Equity Members trading on PEARL Equities'').

[13] The defined term Aggressing Order is based on NYSE Arca Rule 7.36–E(a)(5).

[14] The defined term Equity Securities is based on NYSE Arca Rule 5.1–E(b)(2).

trading of Equity Securities, the term ''Protected Bid'' or ''Protected Offer'' shall mean a bid or offer in a stock that is (i) displayed by an automated trading center; (ii) disseminated pursuant to an effective national market system plan; and (iii) an automated quotation that is the best bid or best offer of a national securities exchange or association. The term ''Protected Quotation'' shall mean a quotation that is a Protected Bid or Protected Offer.

• Qualified Clearing Agency. The term ''Qualified Clearing Agency'' means a clearing agency registered with the Commission pursuant to Section 17A of the Exchange Act that is deemed qualified by the Exchange.

• Registered Broker or Dealer. The term ''registered broker or dealer'' means any registered broker or dealer, as defined in Section 3(a)(48) of the Exchange Act, that is registered with the Commission under the Exchange Act.

• Regular Trading Hours. The term ''Regular Trading Hours'' means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.

• Regular Trading Session. The term ''Regular Trading Session'' shall mean the time between the completion of the Opening Process or Contingent Open as defined in Exchange Rule 2615 and 4:00 p.m. Eastern Time.

• User. The term ''User'' shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Exchange Rule 2602.

• UTP Exchange Traded Products. The term ''UTP Exchange Traded Products'' refers to derivative securities products that are not listed on the Exchange but that trade on the Exchange pursuant to unlisted trading privileges, including the following: Equity Linked Notes, Investment Company Units, Index-Linked Exchangeable Notes, Equity Gold Shares, Equity Index-Linked Securities, Commodity-Linked Securities, Currency-Linked Securities, Fixed-Income Index-Linked Securities, Futures-Linked Securities, Multifactor-Index-Linked Securities, Trust Certificates, Currency and Index Warrants, Portfolio Depository Receipts, Trust Issued Receipts, Commodity-Based Trust Shares, Currency Trust Shares, Commodity Index Trust Shares, Commodity Futures Trust Shares, Partnership Units, Paired Trust Shares, Trust Units, Managed Fund Shares, and Managed Trust Securities.

• UTP Security. The term ''UTP Security'' shall mean an Equity Security that is listed on a national securities exchange other than on the Exchange and that trades on PEARL Equities pursuant to unlisted trading privileges.

• Working price. The term ''Working price'' shall mean the price at which an order is eligible to trade at any given time, which may be different from the limit price or display price of the order.

The Exchange proposes to define additional terms under current Exchange Rule 100, Definitions, which not only relate to the trading of equity securities, but are currently utilized under the Exchange's existing rules related to options. The proposed definitions under Rule 100 will apply equally to the trading of options and equity securities on the Exchange. These proposed definitions do not alter the meaning of any Exchange Rule related to options. The Exchange simply proposes to adopt definitions of these terms under current Exchange Rule 100 to add clarity to its rules as these terms are applicable to the trading of both types of securities on the Exchange. Each of the proposed definitions under Exchange Rule 100 are as follows:

• Authorized Trader. The term ''Authorized Trader'' or ''AT'' shall mean a person who may submit orders (or who supervises a routing engine that may automatically submit orders) to the Exchange's trading facilities on behalf of his or her Equity Member or Sponsored Participant.

• Broker. The term ''broker'' shall have the same meaning as in Section 3(a)(4) of the Exchange Act.

• Dealer. The term ''dealer'' shall have the same meaning as in Section 3(a)(5) of the Exchange Act.

• Designated Examining Authority. The term ''designated examining authority'' shall mean a self-regulatory organization, other than the Exchange, designated by the Commission under Section 17(d) of the Exchange Act to enforce compliance by Equity Members with Exchange Rules.

• Limit price. The term ''limit price'' shall mean the highest (lowest) specified price at which a Limit Order to buy (sell) is eligible to trade.

• Timestamp. The term ''timestamp'' shall mean the effective time sequence assigned to an order for purposes of determining its priority ranking.[15]

• Trading Center. The term ''Trading Center'' shall have the same meaning as in Rule 600(b)(82) of Regulation NMS.

Execution System

The proposed equity trading system will leverage the Exchange's current state of the art technology, including its customer connectivity, messaging protocols, quotations and execution engine, order router, data feeds, and network infrastructure. Doing so minimizes the technical effort required by existing Members to begin trading equity securities on PEARL Equities. PEARL Equities will operate a fully automated, price/time priority execution model, and offer a suite of conventional order types and deterministic functionality that is designed to provide for an efficient, robust, and transparent order matching process. PEARL Equities will be operated as an ''automated market center'' within the meaning of Regulation NMS, and in furtherance thereof, will display ''automated quotations'' within the meaning of Regulation NMS. The proposed model and functionality for PEARL Equities is similar to that offered by other equity exchanges, such as the Cboe Equity Exchanges, IEX, NYSE, NYSE Arca, and Nasdaq.[16] Any proposed differences are described below and are proposed in response to industry feedback or as a means to improve upon existing functionality offered by other equity exchanges.

Like the Exchange system for options, all trading interest entered into the System will be automatically executable. Orders entered into the System that are to be displayed will either be attributed to the Equity Member or displayed anonymously. The Exchange will become a member of the Depository Trust Company (''DTC''). The System will be linked to DTC for the Exchange to transmit locked-in trades for clearance and settlement.

Hours of Operation. PEARL Equities will begin to accept orders at 7:30 a.m., Eastern Time, as described below. The System will operate between the hours of 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time,[17] with all orders being available for execution during that timeframe.

Units of Trading, Odd and Mixed Lots. Proposed Exchange Rule 2610[18] provides that the unit of trading in stocks is one (1) share. 100 shares constitutes a ''round lot,'' unless specified by the primary listing market to be fewer than 100 shares. Any amount less than a round lot shall constitute an ''odd lot,'' and any amount greater than a round lot that is not a

[15] The defined term ''timestamp'' is based on the definition of ''working time'' under NYSE Arca Rule 7.36–E(a)(4).

[16] *See* Chapter 11 of the Cboe Equity Exchanges' Rules, Chapter 11 of the IEX Rules, NYSE Rule 7P series, NYSE Arca Rule 7–E series, *and* Nasdaq 4700 series.

[17] PEARL Equities may close earlier on certain days, such as July 3, the day after Thanksgiving, and December 24.

[18] Proposed Exchange Rule 2610 is based on IEX Rule 11.180, BYX Rule 11.10, BZX Rule 11.10, EDGA Rule 11.6(s), *and* EDGX Rule 11.6(s).

multiple of a round lot shall constitute a ''mixed lot.''

Proposed Exchange Rule 2611[19] sets forth the requirements relating to odd and mixed lot trading on PEARL Equities. Proposed Exchange Rule 2611(b) further provides that round lot, mixed lot, and odd lot orders are treated in the same manner on the Exchange, provided that, the working and display price of a displayable odd lot order will be adjusted both on arrival and when resting on the PEARL Equities Book. Proposed Exchange Rule 2611(b)(1)(A) reflects standard behavior and provides that if the limit price of an odd lot order to buy (sell) is below (above) the PBO (PBB) of an away Trading Center, it will have a working and display price equal to the limit price.

Proposed Exchange Rule 2611(b)(1)(B) and (C) describes how the Exchange will re-price an odd-lot order to ensure it is not displayed on the Exchange's proprietary data feed at an unexecutable price.[20] Proposed Exchange Rule 2611(b)(1)(B) provides that if the limit price of an odd lot order to buy (sell) is at or above (below) the PBO (PBB) of an away Trading Center, it will have a working price equal to the PBO (PBB). The display price will also be adjusted to one minimum price variation lower (higher) than the PBO (PBB).

The following example describes the behavior under proposed Exchange Rule 2611(b)(1)(A) and (B). Assume the PBBO of away Trading Centers is $10.00 (100 shares) by $10.05 (100 shares) and Exchange's BBO is $10.01 (500 shares) by $10.06 (500 shares). A non-routable displayed Limit Order to buy at $10.02 (10 shares) is entered (''Order 1''). Because Order 1's limit price is below the PBO of $10.05 displayed by an away Trading Center, it is posted to the PEARL Equities Book with a working and displayed price of $10.02, its limit price. The Exchange's BBO remains unchanged. Next, a non-routable displayed Limit Order to buy at $10.05 (10 shares) is entered (''Order 2''). Because Order 2's limit price equals the PBO of $10.05 displayed by an away Trading Center, it is posted to the PEARL Equities Book with a working price of $10.05 and a displayed price of $10.04, one minimum price variation (''MPV'') less than the PBO. The Exchange's BBO remains unchanged. Assume the PBBO of away Trading Centers changes to $10.00 (100 shares) by $10.06 (100 shares). To reflect changes in the away PBBO, Order 2's displayed price is updated to $10.05 and its working price remains unchanged.

Proposed Exchange Rule 2611(b)(1)(C) provides that if the PBBO is locked or crossed and the limit price of an odd lot order to buy (sell) resting on the PEARL Equities Book is above (below) the PBO (PBB) of an away Trading Center, it will have a working and display price equal to the PBB (PBO) of the Exchange, subject to the order's limit price. The working and display price of such odd lot order will be adjusted again pursuant to proposed Exchange Rule 2611(b)(1)(A) and (B) should the PBBO unlock or uncross. Absent this proposed rule, an odd lot bid or offer could be displayed on the Exchange's proprietary data feeds at a price that appears to cross the PBBO, even if such order would not be eligible to trade at that price.

This following example describes the behavior under proposed Exchange Rule 2611(b)(1)(C) and highlights a proposed difference with similar functionality available on other equity exchanges. Assume the PBBO of away markets is $10.00 (100 shares) by $10.02 (100 shares) and further assume there are no orders on the PEARL Equities Book. A non-routable displayed Limit Order to buy at $9.99 (100 shares) is entered (''Order 1'') and is posted to the PEARL Equities Book with a working and displayed price of $9.99. The PBBO of the Exchange is now $9.99 (100 shares) by $0.00. Next, a non-routable displayed Limit Order to buy at $10.01 (10 shares) is entered (''Order 2'') and is posted to the PEARL Equities Book with a working and displayed price of $10.01. The PBBO of the Exchange remains $9.99 (100 shares) by $0.00 because Order 2 is of odd lot size and does not update the PBB. Assume the PBBO of the away markets inverts to become $10.00 (100 shares) by $9.99 (100 shares). Order 1 holds its ground at $9.99 because it is the Exchange's PBB and was locked by an away market. Order 2, however, updates to a display and working price of $9.99, the Exchange's PBB, instead of PBB of the away markets, which is $10.00.[21]

Finally, proposed Exchange Rule 2611(b)(2) provides that for an order that is partially routed to an away market on arrival, if any returned quantity of the order joins resting odd lot quantity of the original order and the returned and resting quantity, either alone or together with other odd lot sized orders, will be displayed as a new BBO, both the returned and resting quantity will be assigned a new timestamp in accordance with proposed Exchange Rules 2616, Priority of Orders, and 2617(b)(6), Priority of Routed Orders, both of which are described below.

Minimum Quotation and Trading Increments. Quotations and orders entered into the equity trading system will comply with the minimum price increments requirements of Rule 612 of Regulation NMS.[22] Proposed Exchange Rule 2612,[23] therefore, provides that bids, offers, or orders in securities traded on the Exchange shall not be made in an increment smaller than: (i) $0.01 If those bids, offers, or orders are priced equal to or greater than $1.00 per share; or (ii) $0.0001 if those bids, offers, or orders are priced less than $1.00 per share; or (iii) any other increment established by the Commission for any security which has been granted an exemption from the minimum price increments requirements of Rule 612(a) or (b) of Regulation NMS.[24]

Usage of Data Feeds. Proposed Exchange Rule 2613 [25] identifies the data feeds that the Exchange will utilize for the handling, execution and routing of orders in Equity Securities, as well as for surveillance necessary to monitor compliance with applicable securities laws and Exchange Rules. The Exchange will use direct feeds as it primary source for BYX, BZX, EDGA, EDGX, Nasdaq, Nasdaq BX, Inc. (''Nasdaq BX''), Nasdaq Phlx LLC (''Nasdaq Phlx''), NYSE, NYSE American, and NYSE Arca. The Exchange will utilize data from the responsible single plan processor as its secondary source of data for these markets. The Exchange will utilize data from the responsible single plan processor as its primary source of data for FINRA's Alternative Display Facility

[19] Proposed Exchange Rule 2611 is substantially similar to NYSE Rule 7.38, NYSE Arca Rule 7.38–E, NYSE American LLC (''NYSE American'') Rule 7.38E, *and* NYSE National, Inc. (''NYSE National'') Rule 7.38.

[20] Proposed Exchange Rule 2611 would differ from NYSE Rule 7.38, NYSE Arca Rule 7.38–E, NYSE American Rule 7.38E, and NYSE National Rule 7.38 by re-pricing the odd lot order to buy (sell) to the PBB (PBO) of the Exchange when the PBB (PBO) of the Exchange was previously locked or crossed by an away Trading Center. Like the NYSE exchanges, non-displayed odd lot orders would not be subject to the above re-pricing mechanism and would be re-priced in accordance with the price sliding process for non-displayed orders described below.

[21] In such case, the Exchange understands NYSE, NYSE Arca, NYSE American, and NYSE National would price Order 2 to $10.00, the PBB of the away Trading Center. *See* NYSE Rule 7.38, NYSE Arca Rule 7.38–E, NYSE American Rule 7.38E, *and* NYSE National Rule 7.38.

[22] 17 CFR 242.612.

[23] Proposed Exchange Rule 2612 is based on IEX Rule 11.210, BYX Rule 11.11, BZX Rule 11.11, EDGA Rule 11.6(i), *and* EDGX Rule 11.6(i).

[24] 17 CFR 242.612(a) and (b).

[25] Proposed Exchange Rule 2613 is based on BYX Rule 11.26, BZX Rule 11.26, EDGA Rule 13.4, EDGX Rule 13.4, NYSE Rule 7.37(e), *and* Nasdaq Rule 4759.

(''ADF''), IEX, the Long Term Stock Exchange, Inc., NYSE Chicago, and NYSE National.

Proposed Exchange Rule 2613(b) provides that the Exchange may adjust its calculation of the PBBO and NBBO based on information about orders sent to other venues with protected quotations, execution reports received from those venues, and certain orders received by the Exchange. Proposed Exchange Rule 2619(c) provides that the responsible single plan processor will be the Primary Source of trade and administrative messages such as Limit-up Limit-Down Price Bands, Market-Wide Circuit Breaker decline and status messages, Regulation SHO state messages, halts and resumes, and last sale information.

Time-In-Force Instructions. The proposed System will support two time-in-force instructions, Immediate-or-Cancel (''IOC'') and Regular Hours Only (''RHO''). Equity Members entering orders in to the System may designate such orders to remain in force and available for display and/or potential execution for varying periods of time. Unless cancelled earlier, once these time periods expire, the order (or unexecuted portion thereof) is cancelled. A description of the time-in-force instructions available on the System will be described under proposed Exchange Rule 2614(b).

Immediate-or-Cancel (''IOC''). IOC will be a time-in-force instruction that provides for the order to be executed in whole or in part as soon as such order is received. The portion not executed immediately on the Exchange or another Trading Center is treated as cancelled and is not posted to the PEARL Equities Book. Limit Orders with a time-in-force of IOC that are not designated as ''Do Not Route'' and that cannot be executed in accordance with PEARL Equities Rule 2617(a)(4) on the System when reaching the Exchange will be eligible for routing away pursuant to PEARL Equities Rule 2617(b).

Regular Hours Only (''RHO''). RHO will be a time-in-force instruction that designates the order for execution only during Regular Trading Hours, which includes the Opening Process for Equity Securities.

Order Type Modifiers. The proposed System will support the following conventional order type modifiers: Do Not Route, Post Only, Displayed, Non-Displayed, Attributable, Non-Attributable, and Intermarket Sweep Orders (''ISO''). ISOs will be described under proposed Exchange Rule 2614(d) and the remaining order type modifiers will be described under proposed Exchange Rule 2614(c). A description of which order types each modifier is compatible with will be set forth under proposed Exchange Rule 2614(a) and is described below. The characteristics and functionality of each of these order type modifiers is identical to what is currently approved for the other equity exchanges. However, as mentioned above, the text of each of the proposed rules may differ from the descriptions of similar functionality in the rules of the other equity exchanges only to the extent to provide additional specificity and/or to conform the proposed structure of the PEARL Equities rule set.

Do Not Route. An order designated as Do Not Route is a non-routable order that will be ranked and executed on the PEARL Equities Book pursuant to proposed Exchange Rule 2616 and proposed Exchange Rule 2617(a)(4) or cancelled.[26] Unless otherwise instructed by the User, an order designated as Do Not Route will be subject to the price sliding processes set forth in proposed Exchange Rule 2614(g) described below.

Post Only. An order designated as Post Only is a non-routable order that will be ranked and executed on the PEARL Equities Book pursuant to proposed Exchange Rule 2616 and proposed Exchange Rule 2617(a)(4).[27] An order designated as Post Only will only remove liquidity from the PEARL Equities Book when: (A) The order is for a security priced below $1.00; or (B) the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the PEARL Equities Book and subsequently provided liquidity including the applicable fees charged or rebates paid.[28]

To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the PEARL Equities Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange.

Like an order designated as Do Not Route, an order designated as Post Only will be subject to the price sliding processes set forth in proposed Exchange Rule 2614(g) described below, unless otherwise instructed by the User.

Displayed. ''Displayed'' is an instruction a User may attach to an order stating that the order is to be displayed by the System on the PEARL Equities Book. Unless the User elects otherwise, all orders eligible to be displayed on the PEARL Equities Book will be automatically defaulted by the System to Displayed.[29]

Non-Displayed. ''Non-Displayed'' is an instruction the User may attach to an order stating that any part of the order is not to be displayed by the System on the PEARL Equities Book.[30]

Attributable. ''Attributable'' is an instruction to include the User's market participant identifier (''MPID'') with an order that is designated for display (price and size) on an Exchange proprietary data feed.

Non-Attributable. ''Non-Attributable'' is an instruction on an order that is designated for display (price and size) on an Exchange proprietary data feed to display that order on an anonymous basis.[31]

ISOs. ISO is an order instruction that may be attached to an incoming Limit

[26] The Do Not Route modifier is based on the rules of the Cboe Equity Exchanges. *See* BYX *and* BZX Rules 11.9(c)(4) *and* EDGA *and* EDGX Rules 11.6(n)(3).

[27] The Post Only modifier is based on the rules of the Cboe Equity Exchanges. *See* BYX *and* BZX Rules 11.9(c)(6) *and* EDGA *and* EDGX Rules 11.6(n)(4).

[28] As is the case on Nasdaq, the Cboe Equity Exchanges, and as proposed by Members Exchange, Inc. (''MEMX''), an incoming order designated as Post Only entered with a limit price that would lock or cross a resting contra-side Midpoint Peg Order resting on the PEARL Equities Book may post and display at the locking or crossing price (if the difference in price between the incoming order designated as Post Only and the resting midpoint is less than the forgone net rebate/fee). *See* EDGA *and* EDGX Rules 11.6(n)(4), *and* BYX and BZX Rules 11.9(c)(6) (providing that a Post Only order will remove contra-side liquidity from the book if the order is an order to buy or sell a security priced below $1.00 or if the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the EDGX Book and subsequently provided liquidity, including the applicable fees charged or rebates provided). *See* proposed MEMX Rule 11.6(l)(2) (proposing to adopt Post Only functionality identical to that of the Cboe Equity Exchanges). *See also* Nasdaq Rule 4702(b)(4)(A) (providing that if the adjusted price of the Post-Only Order would lock or cross a non-displayed price on the Nasdaq Book, the Post-Only Order will be posted . . .; provided, however, the Post-Only Order will execute if. . . it is priced at $1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds $0.01 per share). If such a lock or cross exists, new incoming orders may remove liquidity against the locked or crossed midpoint orders, but only at a price equal to the NBBO midpoint consistent with the Exchange's proposed price priority scheme under proposed Exchange Rule 2616. *See also* Nasdaq and BX Post-Only Functionality Modifications, *available at https://www.nasdaqtrader.com/content/newsalerts/2016/postonlymodifications.pdf.*

[29] The Displayed modifier is based on the rules EDGA and EDGX. *See* EDGA *and* EDGX Rules 11.6(e)(1).

[30] The Non-Displayed modifier is based on the rules EDGA and EDGX. *See* EDGA *and* EDGX Rules 11.6(e)(2).

[31] The Attributable and Non-Attributable modifiers are based on rules of the Cboe Equity Exchanges. *See* BYX *and* BZX Rules 11.9(c)(13) *and* (14), *and* EDGA *and* EDGX Rules 11.6(a).

Order. The operation of ISOs will be described in proposed Exchange Rule 2614(d) and is consistent with the description of the ISO exception in Rules 600(b)(30) and 611(b)(5) of Regulation NMS.[32] Proposed Exchange Rule 2614(d) provides that the System will accept incoming ISOs (as such term is defined in Rule 600(b)(31) of Regulation NMS). The Exchange does not intend to initially support the outbound routing of orders designated as ISO on behalf of Equity Members. Therefore, proposed Exchange Rule 2614(d) provides that ISOs are not eligible for routing pursuant to Exchange Rule 2617(b).

To be eligible for treatment as an ISO, the order must be: (A) A Limit Order; (B) marked ''ISO''; and (C) the User entering the order must simultaneously route one or more additional Limit Orders marked ''ISO,'' as necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security as set forth below. Such orders, if they meet the requirements of the foregoing sentence, may be immediately executed at one or multiple price levels in the System without regard to Protected Quotations at away Trading Centers consistent with Regulation NMS (*i.e.,* may trade through such quotations and will not be rejected or cancelled if it will lock, cross, or be marketable against an away Trading Center).

An ISO may include a time-in-force of IOC or RHO and the operation of an ISO will differ depending on the time-in-force selected. An ISO that includes a time-in-force of IOC will immediately trade with contra-side interest on the PEARL Equities Book up to its full size and limit price and any unexecuted quantity will be immediately cancelled. An ISO that includes a time-in-force of RHO, if marketable on arrival, will also immediately trade with contra-side interest on the PEARL Equities Book up to its full size and limit price. However, any unexecuted quantity of a RHO ISO will be displayed at its limit price on the PEARL Equities Book and may lock or cross a Protected Quotation that was displayed at the time of arrival of the RHO ISO.[33]

A User entering an ISO with a time-in-force of IOC represents that such User has simultaneously routed one or more additional Limit Orders marked ''ISO,'' if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is *superior to* the ISO's limit price. A User entering an ISO with a time-in-force of RHO makes the same representation but further represents that it simultaneously routed one or more additional Limit Orders marked ''ISO,'' if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is *equal* to its limit price.

Proposed Exchange Rule 2614(d)(2) specifies that the Exchange will rely on the marking of an order as an ISO order when handling such order, and thus, it is the entering Equity Member's responsibility, not the Exchange's responsibility, to comply with the requirements of Regulation NMS relating to ISOs.

Re-Pricing Mechanisms. Like other equity exchanges, the System proposes to offer re-pricing mechanisms to Users of PEARL Equities to comply with Rule 610(d) of Regulation NMS and Rule 201 of Regulation SHO. These re-pricing mechanisms are Display Price Sliding, Non-Display Order Price Sliding, and Short Sale Price Sliding. Under Display Price Sliding and Short Sale Price Sliding, Users will be able to select between either single price sliding or multiple price sliding. The Exchange will offer Display Price Sliding (including multiple Display Price Sliding) and Non-Displayed Order Price Sliding (including multiple Non-Displayed Order Price Sliding) to comply with locked/crossed market and trade through restriction of Regulation NMS. The Exchange will offer Short Sale Price Sliding to comply with the tick provisions of Rule 201 of Regulation SHO.

Each of the Exchange's proposed re-pricing mechanisms is identical to functionality on other equity exchanges. However, as mentioned above, the text of each of the proposed rules may differ from the descriptions of similar functionality in the rules of the other equity exchanges only to the extent to provide additional specificity and/or to conform the proposed structure of the PEARL Equities rule set. The Exchange's re-pricing mechanisms will be described under proposed Exchange Rule 2614(g).

Display Price Sliding. Display Price Sliding is designed to prevent the display of a quotation that would lock or cross an away Trading Center in violation of Rule 610(d) of Regulation NMS.[34] Proposed Exchange Rule 2614(g)(1)(A) provides that an order to buy (sell) designated as Displayed that, if displayed at its limit price on the PEARL Equities Book upon entry, would create a violation of Rule 610(d) of Regulation NMS by locking or crossing the PBO (PBB) of an away Trading Center will be assigned a working price equal to the PBO (PBB) and a displayed price one (1) minimum price variation below (above) the current PBO (PBB). A User may elect to have the System only apply the Display Price Sliding Process to the extent a display-eligible order to buy (sell) at the time of entry would create a violation of Rule 610(d) of Regulation NMS by locking the PBO (PBB) of an away Trading Center. For Users that select this order handling, any order to buy (sell) will be cancelled if, upon entry, such order would create a violation of Rule 610(d) of Regulation NMS by crossing the PBO (PBB) of an away Trading Center.

Proposed Exchange Rule 2614(g)(1)(B) provides that an order subject to the Display Price Sliding Process will retain its original limit price irrespective of the working and displayed price assigned to the order. In the event the PBBO changes such that an order to buy (sell) subject to the Display Price Sliding Process would no longer lock or cross the PBO (PBB) of an away Trading Center, the order will receive a new timestamp and will be assigned a working and displayed price at the most aggressive permissible price. All orders that are assigned new working and displayed prices pursuant to the Display Price Sliding Process will retain their priority as compared to other orders subject to the Display Price Sliding Process based upon the time such orders were initially received by the Exchange. Following the initial ranking and display of an order subject to the Display Price Sliding Process, an order will only be assigned a new working and displayed price to the extent it achieves a more aggressive price, provided, however, that the Exchange will assign an order a working price equal to the displayed price of the order in the event such order's displayed price is locked or crossed by a Protected Quotation of an away Trading Center. Such event will not result in a change in priority for the order at its displayed price.

[32] 17 CFR 242.600(b)(30), 611(b)(5).

[33] Orders with a time-in-force of Day or RHO both expire at the end of Regular Trading Hours. Because the Exchange will not initially offer a time-in-force of Day, it proposes to handle ISOs with a time-in-force of RHO the same as Day ISOs are handled on other equity exchanges.

[34] Display Price Sliding would operate identically to Display Price Sliding on the Cboe Equity Exchanges. *See* BYX *and* BZX Rules 11.9(g)(1) *and* EDGA *and* EDGX Rules 11.6(l)(1)(B). The only difference is that the proposed text describing the operation of Display Price Sliding in proposed Exchange Rule 2614(g)(1) is written to provide additional specificity regarding its operation by, among other things, adding directional references to describe how orders subject to Display Price Sliding are to be handled.

Proposed Exchange Rule 2614(g)(1)(C) provides that the working and displayed prices of an order subject to the Display Price Sliding Process may be adjusted once or multiple times depending upon the instructions of a User and changes to the prevailing PBBO. Unless otherwise instructed by the User, the System will only adjust the working and displayed prices of an order upon entry and then the displayed price one additional time following a change to the prevailing PBBO. The working and displayed prices of orders subject to the optional multiple price sliding process will be adjusted, as permissible, based on changes to the prevailing PBBO.

Proposed Exchange Rule 2614(g)(1)(D) provides that any display-eligible order to buy (sell) designated as Post Only that locks or crosses the PBO (PBB) displayed by the Exchange upon entry will be executed as set forth in Exchange Rule 2614(c)(2) or cancelled. Depending on User instructions, a display-eligible order to buy (sell) designated as Post Only that locks or crosses the PBO (PBB) displayed by an away Trading Center upon entry will be subject to the Display Price Sliding Process. In the event the PBBO changes such that an order designated as Post Only subject to the Display Price Sliding Process will be assigned a working price at which it could remove displayed liquidity from the PEARL Equities Book, the order will be executed as set forth in proposed Exchange Rule 2614(c)(2) or cancelled.

Finally, Proposed Exchange Rule 2614(g)(1)(E) provides that orders to buy (sell) designated as Post Only will be permitted to post and be displayed opposite the working price of orders to sell (buy) subject to the Display Price Sliding Process. In the event an order subject to the Display Price Sliding Process is ranked on the PEARL Equities Book with a working price equal to an opposite side order displayed by the Exchange, it will be subject to processing as set forth in proposed Exchange Rule 2617(a)(4).

Non-Displayed Price Sliding. Non-Displayed Price Sliding is designed to avoid potentially trading through Protected Quotations of an away Trading Center in violation of Rule Regulation NMS.[35] Proposed Exchange Rule 2614(g)(2) provides a non-displayed, non-routable order to buy (sell) that, upon entry, would cross the PBO (PBB) of an away Trading Center will be assigned a working price by the System equal to the PBO (PBB). In the event the PBO (PBB) changes such that the working price of a non-displayed, non-routable order to buy (sell) resting on the PEARL Equities Book would again cross the PBO (PBB) of an external market, the working price of the non-displayed order to buy (sell) will be adjusted by the System to be equal to the updated PBO (PBB) and will receive new timestamp. In the event a non-displayed, non-routable order to buy (sell) has been re-priced by the System pursuant to proposed Exchange Rule 2614(g)(2), such non-displayed order to buy (sell) will not be re-priced by the System unless it again crosses the PBO (PBB) of an away Trading Center or it achieves a more aggressive price, due to an update to the PBO (PBB) of an away Trading Center.[36] Unlike under Display Price Sliding, non-displayed, non-routable buy (sell) orders will be re-priced not only upon entry, but each time the price of the order crosses the PBO (PBB) of an away Trading Center. This proposed multiple price sliding functionality under Non-Displayed Price Sliding would be mandatory, and not optional behavior.

Short Sale Price Sliding Process. Short Sale Price Sliding is designed to comply with Rule 201 of Regulation SHO by re-pricing short sale orders to a price above the NBB.[37] Proposed Exchange Rule 2614(g)(3)(A) provides that a short sale order that, at the time of entry, could not be executed or displayed at its limit price due to a short sale price test restriction under Rule 201 of Regulation SHO (''Short Sale Period'') will be assigned a working and displayed price by the System equal to one (1) minimum price variation above the current NBB (''Permitted Price''). Unless otherwise instructed by the User, the System will only adjust the working and displayed price of a short sale order upon entry. To reflect declines in the NBB during a Short Sale Period, a User may elect that the System continue to adjust the working and displayed price of a displayed short sale order to the Permitted Price down to the order's original limit price.

Proposed Exchange Rule 2614(g)(3)(B) provides that in the event the NBB changes during a Short Sale Period such that the working price of a non-displayed short sale order would lock or cross the NBB, the order will be assigned a working price by the System equal to the Permitted Price and receive a new timestamp. To reflect changes in the NBB during a Short Sale Period, the System will continue to adjust the working price of a non-displayed short sale order subject to the order's limit price.

Proposed Exchange Rule 2614(g)(3)(C) provides that during a Short Sale Period, a short sale order will be executed and displayed without regard to price if, at the time of initial display of the short sale order, the order was at a price above the then current NBB. Short sale orders that are entered into the Exchange prior to the Short Sale Period but are not displayed will be adjusted to a Permitted Price.[38] Proposed Exchange Rule 2614(g)(3)(D) provides that short sale orders marked ''short exempt'' will not be subject to the Short Sale Price Sliding Process.

Proposed Exchange Rule 2614(g)(3)(E) provides that during a Short Sale Period, a short sale order will be subject to the Short Sale Price Sliding Process, even if such order is also eligible for the Display Price Sliding Process.

Order Types. The proposed System will make available to Equities Members the following three order types: Limit Orders, Market Orders, and Midpoint Peg Orders. A description of the order types available on the System will be described under proposed Exchange Rule 2614(a). Proposed Exchange Rule 2614 provides that order, instruction, and parameter combinations which are disallowed by the Exchange or incompatible by their terms, will be rejected, ignored, or overridden by the Exchange, as determined by the Exchange to facilitate the most orderly handling of User instructions. For example, a Limit Order that includes a time-in-force of IOC and a Post Only instruction will be rejected.

The characteristics and functionality of each of these order types is identical or substantially similar to what is currently approved for the other equity exchanges. However, as mentioned above, the text of each of the proposed

[35] Non-Displayed Price Sliding would operate identically to Non-Displayed Price Sliding on the Cboe Equity Exchanges. *See* BYX *and* BZX Rules 11.9(g)(4) *and* EDGA *and* EDGX Rules 11.6(l)(3). The only difference is that the proposed text describing the operation of Non-Displayed Price Sliding in proposed Exchange Rule 2614(g)(2) is written to provide additional specificity regarding its operation by, among other things, adding directional references to describe how orders subject to Non-Displayed Price Sliding are to be handled.

[36] Repricing non-displayed orders subject to Non-Displayed Price Sliding to a more aggressive price is consistent with standard functionality and the proposed Display Price Sliding process. This specificity is not included in the rules of the Cboe Equity Exchanges but is in IEX rules. *See* IEX Rule 11.190(h)(2).

[37] Short Sale Price Sliding would operate identically to Short Sale Price Sliding on the Cboe Equity Exchanges. *See* BYX *and* BZX Rules 11.9(g)(5) *and* EDGA *and* EDGX Rules 11.6(l)(2). The only difference is that the proposed text describing the operation of Short Sale Price Sliding in proposed Exchange Rule 2614(g)(3) is written to provide additional specificity regarding its operation.

[38] *See* NYSE Arca Rule 7.16(f)(6).

rules may differ from the descriptions of similar functionality in the rules of the other equity exchanges only to the extent to provide additional specificity and to conform the proposed structure of the PEARL Equities rule set.

Limit Orders. Proposed Exchange Rule 2614(a)(1) [39] provides that Limit Orders are orders to buy or sell a stated amount of a security at a specified price or better. A ''marketable'' Limit Order to buy (sell) will trade with all orders to sell (buy) priced at or below (above) the PBO (PBB) for the security. Once no longer marketable, the Limit Order will be ranked on the PEARL Equities Book pursuant to proposed Exchange Rule 2616, described below.

Proposed Exchange Rule 2614(a)(1) will set forth which order type modifiers are compatible with Limit Orders. First, an incoming Limit Order may be designated as ISO. A Limit Order may also be displayed or non-displayed. A Limit Order will be displayed on the PEARL Equities Book unless the User elects that the Limit Order be non-displayed.[40] A Limit Order may be entered as an odd lot, round lot, or mixed lot and include a time-in-force of IOC or RHO. A Limit Order with a time-in-force of RHO is eligible to participate in the Opening Process described under proposed Exchange Rule 2615. A Limit Order is eligible to participate in the Regular Trading Session.

A Limit Order may be designated as Post Only or Do Not Route. Further, a Limit Order that is designated as ISO and includes a time-in-force of RHO may also be designated as Post Only. Unless designated as Post Only or Do Not Route, a marketable Limit Order to buy (sell) will be eligible to be routed away to prices equal to or higher (lower) than the PBO (PBB) pursuant to proposed Exchange Rule 2717(b) only after trading with orders to sell (buy) on the PEARL Equities Book at each price point.

Proposed Rule 2614(a)(1) will also describe default behavior for re-pricing Limit Orders to comply with Rule 610 of Regulation NMS,[41] Rule 201 of Regulation SHO,[42] and the LULD Plan.[43] Each of these re-pricing options are described in detail further below.

To comply with Rule 610 of Regulation NMS, a non-routable Limit Order to buy (sell) that, if displayed at its limit price on the PEARL Equities Book upon entry, would lock or cross the PBO (PBB) of an away Trading Center will be re-priced pursuant to the Display Price Sliding instruction, unless the User affirmatively elects to have the order immediately cancelled. A non-routable Limit Order to buy (sell) with a limit price that would cross the PBO (PBB) of an away Trading Center upon entry will not execute at a price that is higher (lower) than the PBO (PBB).

To avoid potentially trading through the PBBO of an away Trading Center, a non-displayed Limit Order to buy (sell) that, if posted to the PEARL Equities Book, would cross the PBO (PBB) of an away Trading Center will be re-priced pursuant to the Non-Displayed Order Price Sliding Process.[44]

To comply with Rule 201 of Regulation SHO, when a Short Sale Period [45] is in effect, a Limit Order to sell that is designated as short and cannot be executed or displayed on the PEARL Equities Book at its limit price pursuant to Rule 201 of Regulation SHO will be re-priced to a Permitted Price pursuant to the Short Sale Price Sliding Process, unless the User affirmatively elects to have the order immediately cancelled. During a Short Sale Period, as defined in Exchange Rule 2614(g)(3)(A), the System will immediately cancel any portion of an incoming Limit Order designated as ISO and short that includes a time-in-force instruction RHO that cannot be executed or displayed at its limit price at the time of entry pursuant to Rule 201 of Regulation SHO.[46]

To comply with the LULD Plan, a Limit Order to buy (sell) that is priced above (below) the Upper (Lower) Price Band shall be re-priced pursuant to proposed Exchange Rule 2622(e) (described below), unless the User affirmatively elects to have the order immediately cancelled.

The Exchange also proposes to offer Limit Order Price Protection which will provide for the cancellation of Limit Orders priced too far away from a specified reference price at the time the order first becomes eligible to trade.[47] A Limit Order entered before Regular Trading Hours that becomes eligible to trade during Regular Trading Hours will be subject to Limit Order Price Protection at the time Regular Trading Hours begins.[48]

A Limit Order to buy (sell) will be rejected if it is priced at or above (below) a specified dollar value and percentage away from the following: (1) The PBO for Limit Orders to buy, the PBB for Limit Orders to sell; (2) if the PBO or PBB is unavailable, the consolidated last sale price disseminated during the Regular Trading Hours on trade date; (3) if the PBO, PBB, and a consolidated last sale price are unavailable, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events. This differs from Limit Order Price Protection offered by Nasdaq,[49] which only utilizes the PBBO as a reference price, and the NYSE,[50] which only calculates reference prices based on the corresponding ''numerical guideline'' percentages set forth in NYSE Rule 7.10(c)(1), Clearly Erroneous Executions. The Exchange believes this difference is reasonable because utilizing a waterfall of reference prices should result in specified percentages that are more reflective of the current trading environment for the security and provide an alternative reference price when the NBBO and/or last sale price are unavailable.

Also unlike Limit Order Price Protection offered by NYSE and Nasdaq, Equity Members will be able to customize the specified dollar and percentages on a per session basis. If an Equity Member does not provide PEARL Equities specified dollar values or percentages for their order(s), default specified dollar and percentages established by the Exchange will be applied. The default specified dollar and percentages will be posted to the Exchange's website and the Exchange will announce any changes to those dollar and percentages via a Regulatory Circular. The Exchange believes this difference is also reasonable because it provides Equity Members with greater flexibility in establishing protections that better reflect their risk profile.

[39] The description of Limit Orders under proposed Exchange Rule 2614(a)(1) is based on EDGA and EDGX Rules 11.8(b).

[40] The Exchange does not propose to offer reserve quantity functionality for Limit Orders at this time. Reserve functionality is commonly understood to allow a Limit Order to have both a displayed and non-displayed quantity. *See, e.g.,* EDGA *and* EDGX Rules 11.6(m).

[41] 17 CFR 242.610.

[42] 17 CFR 242.201.

[43] *See supra* note 5.

[44] Unlike the Cboe Equity Exchanges, PEARL Equities does not proposes to provide Users with the option to automatically cancel a non-displayed order that is to be repriced pursuant to the Non-Displayed Price Sliding Process. *See* EDGA and EDGX Rules 11.8(b)(12).

[45] A Short Sale Period is the time during which a displayable short sale order, at the time of entry, could not be executed or displayed at its limit price due to a short sale price test restriction under Rule 201 of Regulation SHO. 17 CFR 201. *See also* proposed Exchange Rule 2614(g)(3)(A).

[46] *See* EDGA *and* EDGX Rule 11.8(c)(6).

[47] The Exchange's proposed Limit Order Price Protection is based on NYSE Rule 7.31(a)(2)(B) *and* Nasdaq Rule 4757(c).

[48] Further, a Limit Order in a security that is subject to a trading halt will become first eligible to trade when the halt is lifted and continuous trading has resumed.

[49] Nasdaq Rule 4757(c).

[50] NYSE Rule 7.31(a)(2)(B).

Limit Order Price Protection thresholds for buy (sell) orders that are not entered at a permissible MPV for the security, as defined in proposed Exchange Rule 2612, will be rounded down (up) to the nearest price at the applicable MPV.

Market Orders. Proposed Rule 2614(a)(2) [51] provides that a Market Order is an order to buy (sell) a stated amount of a security that is to be executed at the PBO (PBB) or better upon entry. A Market Order shall not trade through a Protected Quotation. The System will only execute a Market Order upon entry and, if eligible, route the Market Order to an away Trading Center. The System will never post a Market Order to the PEARL Equities Book, unlike as is done by other national securities exchanges.[52]

A Market Order may be entered as an odd, round, or mixed lot. A Market Order may only include a time-in-force of IOC. A Market Order with a time-in-force of RHO will be rejected. A Market Order is not eligible to participate in the Opening Process under proposed Exchange Rule 2615 described below. A Market Order is eligible to participate in the Regular Trading Session.

A Market Order may also be designated as Do Not Route. For a Market Order that is not designated as Do Not Route, any portion of that Market Order that cannot be executed in accordance with Rule 2617(a)(4) upon entry will be eligible to be routed away pursuant to Rule 2617(b). Any returned quantity of a routed Market Order will be immediately cancelled. A Market Order that is designated as Post Only will be rejected. A Market Order that is designated as Do Not Route will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 2617(a)(4). Equity Members may also elect that their Market Order to buy (sell) be cancelled if the PBO (PBB) an away Trading Center is not available upon entry.

The System will cancel a non-routable Market Order that cannot be executed at a price that complies with Rule 201 of Regulation SHO and the Limit-Up Limit-Down Plan. During a Short Sale Period, a short sale Market Order designated as Do Not Route that cannot be executed at a Permitted Price or better upon entry will be cancelled. This may occur when there are no orders to buy priced above the NBB resting on the PEARL Equities Book against which the incoming Market Order to sell could execute against in compliance with Rule 201 of Regulation SHO.

Further, any portion of a Market Order to buy (sell) will be cancelled if it cannot be executed because at the time it is received by the System the NBO (NBB) is greater (less) than the Upper (Lower) Price Band in accordance with the LULD Plan. In such case, a Market Order to buy (sell) cannot execute against the NBO (NBB) because the NBO (NBB) is outside of the applicable Price Band and, therefore, not available for execution.

Midpoint Peg Orders. Proposed Rule 2614(a)(3) [53] provides that a Midpoint Peg Order is a non-displayed Limit Order that is assigned a working price pegged to the midpoint of the PBBO. A Midpoint Peg Order to buy (sell) with a limit price that is equal to or higher (lower) than the midpoint of the PBBO will be assigned a working price at the midpoint of the PBBO and may execute at the midpoint of the PBBO or better subject to its limit price. A Midpoint Peg Order to buy (sell) with a limit price that is lower (higher) than the midpoint of the PBBO will be assigned a working price equal to its limit price and may execute at its limit price or better.

An Aggressing Midpoint Peg Order to buy (sell) will trade with resting orders to sell (buy) with a working price at or below (above) the midpoint of the PBBO at the working price of the resting orders.[54] Resting Midpoint Peg Orders to buy (sell) will trade at the midpoint of the PBBO against all Aggressing Orders to sell (buy) priced at or below (above) the midpoint of the PBBO.[55]

A Midpoint Peg Order will be accepted but will not be eligible for execution when the PBB or PBO is not available, the PBBO is crossed, and, if instructed by the User, when the PBBO is locked. A Midpoint Peg Order that is eligible for execution when the PBBO is locked will be executable at the locking price.[56] A Midpoint Peg Order will become eligible for execution and receive a new timestamp when the PBB and/or PBO both become available, or the PBBO unlocks or uncrosses and a new midpoint of the PBBO is established. In such case, pursuant to proposed Exchange Rule 2616, all such Midpoint Peg Orders will retain their priority as compared to each other based upon the time priority of such orders immediately prior to being deemed not eligible for execution as set forth above.[57]

A Midpoint Peg Order may include a time-in-force of IOC or RHO. A Midpoint Peg Order with a time-in-force of RHO is eligible to participate in the Opening Process under proposed Exchange Rule 2615 described above. A Midpoint Peg Order is eligible to participate in the Regular Trading Session. A Midpoint Peg Order may be entered as an odd lot, round lot, or mixed lot. Midpoint Peg Orders are not eligible for routing pursuant to Exchange Rule 2617(b). A Midpoint Peg Order may be designated as Post Only.

Cancel/Replace Messages. Like other equity exchanges, the Exchange will allow a User to cancel or replace their existing order resting on the PEARL Equities Book. However, orders may only be cancelled or replaced if the order has a time-in-force term other than IOC and if the order has not yet been executed in full. If an order has been routed to another Trading Center, the order will be placed in a ''Pending'' state until the routing process is completed. Executions that are completed when the order is in the ''Pending'' state will be processed normally. Further, only the price, sell long, sell short, or short exempt indicator, and size terms of the order may be changed by a Replace Message. If a User desires to change any other terms of an existing order the existing order must be cancelled and a new order must be entered. No cancellation or replacement of an order will be effective until such message has been received and processed by the System. The Exchange's proposed cancel/replace functionality will be described under proposed Exchange Rule 2614(e).

Self-Trade Protection Modifiers. Like PEARL Options and other equity exchanges, the Exchange will allow Equity Members to use STP modifiers. Any order designated with an STP modifier will be prevented from executing against a contra-side order also designated with an STP modifier and originating from the same MPID, Exchange Member identifier, or trade group identifier (any such identifier, a ''Unique Identifier''). The Exchange proposes to offer the following four (4) STP modifiers to Equity Members:

[51] The description of Market Orders under proposed Exchange Rule 2614(a)(2) is based on EDGA and EDGX Rules 11.8(a).

[52] *See, e.g.,* EDGA *and* EDGX Rules 11.8(a)(4) (providing for the posting of Market Orders when the NBO (NBB) is greater (less) than the Upper (Lower) Price Band or when an Short Sale Circuit Breaker is in effect). *See also* NYSE Rule 7.31(a)(1).

[53] The description of Midpoint Peg Orders under proposed Exchange Rule 2614(a)(3) is based on EDGA Rule 11.8(d), EDGX Rule 11.8(d), NYSE Rule 7.31(d)(3), and NYSE Arca Rule 7.31–E(d)(3).

[54] *See* NYSE Rule 7.31(d)(3)(C).

[55] *Id.*

[56] *See* IEX Rule 11.190(h)(3)(C)(i) (stating that in the event the market becomes locked, the Exchange shall consider the midpoint price to be equal to the locking price).

[57] Describing when a Midpoint Peg Orders would not be eligible for execution is based on NYSE Rule 7.31(d)(3) and NYSE Arca Rule 7.31–E(d)(3).

Cancel Newest, Cancel Oldest, Decrement and Cancel, and Cancel Both. The STP modifier on the order with the most recent time stamp controls the interaction between two orders marked with STP modifiers. The Exchange's proposed STP modifiers will be described under proposed Exchange Rule 2614(f).

Cancel Newest. An order marked with the Cancel Newest modifier will not execute against a contra-side order marked with any STP modifier originating from the same Unique Identifier. The order with the most recent time stamp marked with the Cancel Newest modifier will be cancelled back to the originating User(s). The contra-side order with the older timestamp marked with an STP modifier will remain on the PEARL Equities Book.

Cancel Oldest. An order marked with the Cancel Oldest modifier will not execute against a contra-side order marked with any STP modifier originating from the same Unique Identifier. The order with the older time stamp marked with the STP modifier will be cancelled back to the originating User(s). The contra-side order with the most recent timestamp marked with the STP modifier will remain on the PEARL Equities Book.

Decrement and Cancel. An order marked with the Decrement and Cancel modifier will not execute against contra-side interest marked with any STP modifier originating from the same Unique Identifier. If both orders are equivalent in size, both orders will be cancelled back to the originating User(s). If both orders are not equivalent in size, the equivalent size will be cancelled back to the originating User(s) and the larger order will be decremented by the size of the smaller order, with the balance remaining on the PEARL Equities Book.

Cancel Both. An order marked with the Cancel Both modifier will not execute against contra-side interest marked with any STP modifier originating from the same Unique Identifier. The entire size of both orders will be cancelled back to the originating User(s).

Opening Procedures. The Exchange will open trading in Equities Securities at the start of Regular Trading Hours and following a halt by matching buy and sell orders at the midpoint of the NBBO, as described below. The Exchange's opening process will be described under proposed Exchange Rule 2615,[58] which provides that prior to the beginning of Regular Trading Hours,[59] Users who wish to participate in the Opening Process may enter orders to buy or sell that are designated as RHO. Orders cancelled before the Opening Process will not participate in the Opening Process.

Only orders that include a time-in-force of RHO may participate in the Opening Process. Orders designated as Post Only, ISOs, and orders that include a time-in-force other than RHO are not eligible to participate in the Opening Process. As described above, because Market Orders may only include a time-in-force of IOC, they are not eligible to participate in the Opening Process. Meanwhile, Limit Orders and Midpoint Peg orders that include a time-in-force of RHO are eligible to participate in the Opening Process. Like PEARL Options, all STP modifiers, as defined in proposed Exchange Rule 2614(f), will be honored during the Opening Process.[60]

Proposed Exchange Rule 2615(b) provides that during the Opening Process, the Exchange attempts to match eligible buy and sell orders at the midpoint of the NBBO, the calculation of which is described below. All orders eligible to trade at the midpoint will be processed in time sequence, beginning with the order with the oldest timestamp. The Opening Process will conclude when no remaining orders, if any, can be matched at the midpoint of the NBBO. At the conclusion of the Opening Process, the unexecuted portion of orders that were eligible to participate in the Opening Process will be placed on the PEARL Equities Book in time sequence, cancelled, executed, or routed to away Trading Centers in accordance with the terms of the order.

Proposed Exchange Rule 2615(c) will describe how the Exchange calculates the midpoint of the NBBO. When the primary listing exchange is the NYSE or NYSE American, the Opening Process will be priced at the midpoint of the: (i) First NBBO subsequent to the first reported trade and first two-sided quotation on the primary listing exchange after 9:30:00 a.m. Eastern Time; or (ii) then prevailing NBBO when the first two-sided quotation is published by the primary listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00 a.m. Eastern Time if no first trade is reported by the primary listing exchange within one second of publication of the first two-sided quotation by the primary listing exchange. For any other primary listing exchange, such as Nasdaq, Arca, and BZX, the Opening Process will be priced at the midpoint of the first NBBO subsequent to the first two-sided quotation published by the primary listing exchange after 9:30:00 a.m. Eastern Time.

If the conditions to establish the price of the Opening described above do not occur by 9:45:00 a.m. Eastern Time, the Exchange may conduct a Contingent Open and match all orders eligible to participate in the Opening Process at the midpoint of the then prevailing NBBO.[61] The Exchange believes matching orders at the midpoint of the NBBO as part of the Contingent Open provides consistent order handling to Users that wish to participate in the PEARL Equities Opening Process by executing their eligible orders at the midpoint of the NBBO, regardless of whether the opening process occurs at or near 9:30 a.m. Eastern Time, or later as part of a Contingent Open. Those Users that do not wish to participate in the Contingent Open are free to cancel their orders at any time and to resubmit those orders after the Contingent Open occurs and continuous trading begins.

If the midpoint of the NBBO is not available for the Contingent Open, all orders will be handled in time sequence, beginning with the order with the oldest timestamp, and be placed on the PEARL Equities Book, cancelled, executed, or routed to away Trading Centers in accordance with the terms of the order. Users not seeking an execution at the midpoint of the NBBO during the Contingent Open may cancel their orders before 9:45 a.m. and re-enter those orders after the Contingent Open occurs.

While an Equity Security is subject to a halt, suspension, or pause in trading, the Exchange will accept orders for queuing prior to the resumption of trading in the security for participation in the Re-Opening Process. The Re-Opening Process following a halt will occur in the same manner as the Opening Process with the following two

[58] Proposed Exchange Rule 2615 is based on BZX Rule 11.24, BYX Rule 11.23, and EDGA and EDGX Rules 11.7.

[59] According to proposed Exchange Rule 2600(a), Users may begin to enter orders starting at 7:30 a.m. Eastern Time.

[60] *See* Exchange Rule 503 (not stating that self-trade prevention modifiers are ignored during the opening process). The Cboe Equity Exchanges ignore self-trade protection modifiers during their opening and re-opening processes. *See* BZX Rule 11.24(b), BYX Rules 11.23(b), *and* EDGA *and* EDGX Rules 11.7(b).

[61] The Cboe Equity Exchanges do not attempt to match orders at the midpoint to the NBBO in such a situation. They handle orders in time sequence, beginning with the order with the oldest timestamp, and place orders on the book, and such orders are routed, cancelled, or executed in accordance with the terms of the order. *See* BZX Rule 11.24(d), BYX Rule 11.23(d), EDGA *and* EDGX Rules 11.7(d).

exceptions. First, ISOs, orders that include a time-in-force of IOC and orders designated as Post Only will be cancelled or rejected, as applicable. Second, the Re-Opening Process will occur at the midpoint of the: (i) First NBBO subsequent to the first reported trade and first two-sided quotation on the primary listing exchange following the resumption of trading after a halt, suspension, or pause; or (ii) NBBO when the first two-sided quotation is published by the primary listing exchange following the resumption of trading after a halt, suspension, or pause if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation by the listing exchange.

Where neither of the above conditions required to establish the price of the Re-Opening Process have occurred, the Equity Security may be opened for trading at the discretion of the Exchange. For example, the Exchange would exercise this discretion where the primary listing exchange lifted the halt but has not disseminated a reported trade or two-sided quotation and other non-primary listing exchanges have begun trading the security. In such case, all orders will be handled in time sequence, beginning with the order with the oldest timestamp, and be placed on the PEARL Equities Book, cancelled, executed, or routed to away Trading Centers in accordance with the terms of the order.

Order Priority. After the opening process, trades on PEARL Equities will occur when a buy order and a sell order are matched for execution on the PEARL Equities Book. All non-marketable orders resting on the PEARL Equities Book will be ranked and maintained based on price/time priority in the following manner: (1) Price; (2) priority category; (3) time; and (4) ranking restrictions applicable to an order or modifier condition. As such, the System will execute trading interest within a priority category in the System in price/time priority, meaning it will execute all trading interest at the best price level within a priority category in time sequence before executing trading interest within the next priority category. Once all trading interest at that price is exhausted, the System will execute trading interest in the same fashion at the next best price level. Proposed Exchange Rule 2616 will describe the priority of orders resting on the PEARL Equities Book and is consistent with other equity exchanges that employ a price/time priority model, such as the Cboe Equity Exchanges and NYSE Arca.[62]

Proposed Exchange Rule 2616(a)(1) provides that all orders will be ranked based on the working price of an order. Orders to buy will be ranked from highest working price to lowest working price. Orders to sell will be ranked from lowest working price to highest working price. If the working price of an order changes, the price priority of the order will also change.

In general, displayed orders at their displayed prices have priority over non-displayed orders at that same price. Proposed Exchange Rule 2616(a)(1)(A) provides the priority categories and proposed Exchange Rule 2616(a)(2)(A) specifies that within each priority category, where orders to buy (sell) are entered into the Trading System and resting in the PEARL Equities Book at the same working price, the order clearly established as the first entered into the Trading System at such particular price shall have precedence at that price, up to the number of shares specified in the order. Equally priced orders within each priority category will be ranked in time priority with displayed Limit Orders for which their working price is displayed having first priority. Non-marketable Limit Orders for which their working price is non-displayed have second priority.[63] Proposed Exchange Rule 2616(a)(2)(B) provides that for purposes of order priority, ISOs will be treated like Limit Orders.

Proposed Exchange Rule 2616(a)(3) provides that within each priority category, orders will be ranked based on time with each order being assigned a timestamp equal to the time the order is first placed on the PEARL Equities Book. An order is assigned a timestamp based on its original entry time, which is the time when an order is first placed in the PEARL Equities Book. Proposed Exchange Rule 2616(a)(3)(A)(i) provides that an order that is fully routed to an away Trading Center on arrival will not be assigned a timestamp time unless and until any unexecuted portion of the order returns to the PEARL Equities Book. Proposed Exchange Rule 2616(a)(3)(A)(ii) provides that for an order that is partially routed to an away Trading Center on arrival, the portion that is not routed will be assigned a timestamp. If any unexecuted portion of the order returns to the PEARL Equities Book and joins any remaining resting portion of the original order, the returned portion of the order will be assigned the same timestamp as the resting portion of the order.[64] If the resting portion of the original order has already executed and any unexecuted portion of the order returns to the PEARL Equities Book, the returned portion of the order will be assigned a new timestamp. Proposed Exchange Rule 2616(a)(3)(B) provides that an order will be assigned a new timestamp any time the working price of an order changes.

Proposed Exchange Rule 2616(a)(4) provides that when Users elect that their orders not execute against an order with the same Unique Identifier by using an STP modifier described above, the Trading System will not permit such orders to execute against one another, regardless of priority ranking.

Proposed Exchange Rule 2616(a)(5) describes the priority treatment where a User cancels or replaces an order resting on the PEARL Equities Book. Proposed Exchange Rule 2616(a)(5) provides that the order will retain its timestamp and retain its priority only where the modification involves a decrease in the size of the order or a change in position from (A) sell to sell short; (B) sell to sell short exempt; (C) sell short to sell; (D) sell short to sell short exempt; (E) sell short exempt to sell; and (F) sell short exempt to sell short. Any other modification to an order, including an increase in the size of the order and/or price change, will result in such order losing time priority as compared to other orders in the PEARL Equities Book and the timestamp for such order being revised to reflect the time of the modification.

Proposed Exchange Rule 2616(a)(6) provides that the remainder of an order that is partially executed against an incoming order or Aggressing Order will retain its timestamp.

Lastly, proposed Exchange Rule 2616(b) sets forth the information that will be collected and made available to quotation vendors for dissemination pursuant to the requirements of Rule 602 of Regulation NMS,[65] which will include the best-ranked order(s) to buy and the best-ranked order(s) to sell that are displayed on the PEARL Equities Book and the aggregate displayed size of such orders. Proposed Exchange Rule 2616(b) further provides that PEARL

[62] *See* BZX *and* BYX Rules 11.12 *and* EDGA *and* EDGX Rules 11.9. *See also* NYSE Arca Rule 7.36–E.

[63] This second priority category would include the non-displayed working price of an order with a different displayed price due to the order having been re-priced pursuant to the Display Price Sliding Process under proposed Exchange Rule 2614(g)(1). This second priority category would also include Midpoint Peg Orders at their working price.

[64] *See* NYSE Arca Rule 7.36–E(f)(1)(B).

[65] Proposed Exchange Rule 2616(c) is based on Nasdaq Rule 4756(b)(2).

Equities will transmit for display to the appropriate network processor for each equity security: (1) The highest price to buy wherein the aggregate size of all displayed buy interest in the Trading System greater than or equal to that price is one round lot or greater; (2) the aggregate size of all displayed buy interest in the Trading System greater than or equal to the price in (1) above, rounded down to the nearest round lot; (3) the lowest price to sell wherein the aggregate size of all displayed sell interest in the Trading System less than or equal to that price is one round lot or greater; and (4) the aggregate size of all displayed sell interest in the Trading System less than or equal to the price in paragraph (3) above, rounded down to the nearest round lot.

Order Execution. The System will utilize technology currently used by the Exchange's options trading system for purposes of order execution in Equity Securities. The order execution process for equity securities is based on functionality currently approved for use on the Cboe Equities Exchanges, NYSE, NYSE Arca, and NASDAQ. As discussed above, the System will allow Equity Members to enter Market Orders, Limit Orders, and Midpoint Peg Orders to buy and sell Equity Securities on PEARL Equities. The orders will be designated for display or non-display in the System.

Proposed Exchange Rule 2617(a) provides that any order falling within the below parameters shall be referred to as executable. Like on other equity exchanges, an order will be cancelled back to the User if, based on market conditions, User instructions, applicable Exchange Rules and/or the Exchange Act and the rules and regulations thereunder, such order is not executable, cannot be routed to another Trading Center and cannot be posted to the PEARL Equities Book.[66]

Proposed Exchange Rule 2617(a) will further provide that the System will comply with all applicable securities laws and regulations, including Regulation NMS,[67] Regulation SHO,[68] and the LULD Plan.[69] Proposed Exchange Rule 2617(a)(4)(A) and (B) describe the process for matching incoming and Aggressing Orders for execution against contra-side orders resting on the PEARL Equities Book.[70]

An Aggressing Order and an incoming order to buy (sell) will be automatically executed to the extent that it is priced at an amount that equals or exceeds (is less than) any order to sell (buy) in the PEARL Equities Book and is executable. Such order to buy (sell) will be matched for execution against sell (buy) orders resting on the PEARL Equities Book according to the price-time priority ranking of the resting orders.

Proposed Exchange Rule 2617(a)(4)(C) provides that certain orders, based on their operation and User instructions, are permitted to post and rest on the PEARL Equities Book at prices that lock contra-side liquidity, provided, however, that the System will never display a locked market.[71] Proposed Exchange Rule 2617(a)(4)(C) further provides that if an Aggressing Order or an incoming order to buy (sell) will execute upon entry against an order to sell (buy) at the same price as such displayed order to buy (sell), the Aggressing Order or incoming order to buy (sell) will be cancelled or posted to the PEARL Equities Book and ranked in accordance with Exchange Rule 2616.

Proposed Exchange Rule 2617(a)(4)(D) governs the price at which an order is executable when it is posted non-displayed on the PEARL Equities Book and there is a contra-side displayed order at a price which results in an internally locked book.[72] Specifically, for securities priced equal to or greater than $1.00 per share, in the case where a non-displayed order to sell (buy) is posted on the PEARL Equities Book at a price that locks a displayed order to buy (sell) pursuant to proposed Exchange Rule 2617(a)(4)(C) described above, an Aggressing Order or an incoming order to buy (sell) described in proposed Exchange Rules 2617(a)(4)(A) and (B) described above is a Market Order or a Limit Order priced more aggressively than the order to buy (sell) displayed on the PEARL Equities Book will execute against the non-displayed order to sell (buy) resting on the PEARL Equities Book at one-half minimum price variation greater (less) than the price of the resting displayed order to buy (sell). Proposed Exchange Rule 2617(a)(4)(D) will not be applicable for bids or offers under $1.00 per share.

For example, assume the PBBO was $16.10 by $16.11 resulting in a midpoint of $16.105. An order to buy at $16.11 is resting non-displayed on the PEARL Equities Book. A Limit Order to sell at $16.11 designated as Post Only is subsequently entered. Assume that the order to sell designated as Post Only will not remove any liquidity upon entry pursuant to the Exchange's proposed economic best interest functionality under proposed Exchange Rule 2614(c)(2), and will post to the PEARL Equities Book and be displayed at $16.11. The display of this order will, in turn, make the resting non-displayed bid not executable at $16.11. If an incoming order to sell at $16.10 is entered into the PEARL Equities Book, the resting non-displayed order to buy originally priced at $16.11 will execute against the incoming order to sell at $16.105 per share, thus providing a half-penny of price improvement as compared to the order's limit price of $16.11.

Also consider the following example where the execution occurs at a sub-penny price that is not at the midpoint of the PBBO. Assume the PBBO is $16.08 by $16.10 resulting in a midpoint of $16.09. An order to sell at $16.08 is resting non-displayed on the PEARL Equities Book. A Limit Order to buy at $16.08 designated as Post Only is subsequently entered. Assume that the order to buy designated as Post Only will not remove any liquidity upon entry pursuant to the Exchange's economic best interest functionality under proposed Exchange Rule 2614(c)(2), and will post to the PEARL Equities Book and be displayed at $16.08. The display of this order will, in turn, make the resting non-displayed order to sell not executable at $16.08. If an incoming order to buy is entered into the PEARL Equities Book at a price greater than $16.08, the resting non-displayed order to sell originally priced at $16.08 will execute against the incoming order to buy at $16.085 per share, thus providing a half-penny of price improvement as compared to the order's limit price of $16.08.

Routing. PEARL Equities routing functionality is described in proposed Exchange Rule 2617(b).[73] PEARL Equities will support orders that are designated to be routed to the PBBO as well as orders that will execute only within PEARL Equities. Routable orders that are designated to execute at the PBBO will be routed to other equity markets to be executed when PEARL Equities is not at the PBBO consistent

[66] *See* BYX *and* BZX Rules 11.13(a) *and* EDGA *and* EDGX Rules 11.10(a).

[67] 17 CFR 242.600, *et seq.*

[68] 17 CFR 242.200, *et seq.*

[69] *See supra* note 5.

[70] Proposed Exchange Rule 2617(a)(4)(A) and (B) are based on NYSE Rule 7.37(a), BZX *and* BYX Rules 11.13(a)(4)(A) *and* (B), *and* EDGA *and* EDGX Rules 11.10(a)(4)(A) *and* (B).

[71] Proposed Exchange Rule 2617(a)(4)(C) is based on BZX *and* BYX Rules 11.13(a)(4)(C), *and* EDGA *and* EDGX Rules 11.10(a)(4)(C).

[72] Proposed Exchange Rule 2617(a)(4)(D) is based on BZX *and* BYX Rules 11.13(a)(4)(D), *and* EDGA *and* EDGX Rules 11.10(a)(4)(D). *See also* Securities Exchange Act Release No. 82087 (November 15, 2017), 82 FR 55472 (November 21, 2017) (SR–BatsEDGA–2017–29) (describing the operation of this same functionality on EDGA).

[73] Proposed Exchange Rule 2617(b) is based various portions of BZX *and* BYX Rule 11.13(b), EDGA *and* EDGX Rule 11.11, *and* NYSE Rule 7.36(f)(1)(B).

with Rules 610(d) and 611 of Regulation NMS.[74] The System will ensure that an order will not be executed at a price that trades through another equities Trading Center. An order that is designated as routable by a User will be routed in compliance with the applicable trade through restrictions. As described above, any order entered with a price that will lock or cross a Protected Quotation that is not eligible for routing will be subject to the Display Price Sliding process under proposed Exchange Rule 2614(g), unless the User elected that the order be cancelled.

In addition, an order marked ''short'' when a short sale price test restriction pursuant to Rule 201 of Regulation SHO is in effect is not eligible for routing by the Exchange. An order that is ineligible for routing due to a short sale price test restriction that includes a time-in-force of IOC will be cancelled upon entry, while a non-routable short sale order with a time-in-force of RHO will be subject to the Short Sale Price Sliding process under proposed Exchange Rule 2614(g)(3). The Exchange will handle routable orders in connection with the Limit-Up Limit-Down Plan as described in proposed Exchange Rule 2622, described below.

As the Exchange currently does for options, PEARL Equities will route orders in Equity Securities via one or more routing brokers that are not affiliated with the Exchange.[75] This routing process will be described under proposed Exchange Rule 2617(b)(1), which is identical to current Exchange Rule 529 that is applicable to options. For each routing broker used by the Exchange, an agreement will be in place between the Exchange and the routing broker that will, among other things, restrict the use of any confidential and proprietary information that the routing broker receives to legitimate business purposes necessary for routing orders at the direction of the Exchange.[76]

The function of the routing broker will be to route orders in Equity Securities trading on PEARL Equities to other equity Trading Centers pursuant to PEARL Equities rules on behalf of PEARL Equities (''Routing Services''). Use of Routing Services to route orders to other market centers is optional. Parties that do not desire to use the Routing Services provided by the Exchange must designate their orders as not available for routing.

The System will designate routable Market Orders and marketable Limit Orders as IOC and will cause such orders to be routed for execution to one or more Trading Centers for potential execution, per the entering User's instructions, in compliance with Rule 611 under Regulation NMS, Regulation SHO, and the Limit-Up Limit-Down Plan. After the System receives responses to Market Orders that were routed away, to the extent an order is not executed in full through the routing process, the System will cancel any unexecuted portion back to the User.

For marketable Limit Orders, after the System receives responses to orders that were routed away, to the extent an order is not executed in full through the routing process, the System will process the balance of such order in accordance with the parameters set by the User when the order was originally entered. As such, the System will either: (i) Cancel the unfilled balance of the order back to the User; (ii) process the unfilled balance of an order as an order designated as Do Not Route subject to the price sliding processes described in proposed Exchange Rules 2614(g) and 2622(e); or (iii) by executing against the PEARL Equities Book and/or re-routing orders to other Trading Centers until the original incoming order is executed in its entirety or its limit price is reached. If the order's limit price is reached, the order will be posted in the PEARL Equities Book, subject to the price sliding processes set forth proposed Exchange Rules 2614(g) and 2622(e). Proposed Exchange Rule 2617(b)(4)(C) would specify that to the extent the System is unable to access a Protected Quotation and there are no other accessible Protected Quotations at the NBBO, the System will treat the order as non-routable, provided, however, that this provision will not apply to Protected Quotations published by a Trading Center against which the Exchange has declared self-help pursuant to proposed Exchange Rule 2617(d).[77]

To start, the Trading System provides a single routing option named ''Order Protection''. Order Protection is a routing option under which an order checks the Trading System for available shares and then is routed to attempt to execute against Protected Quotations at away Trading Centers. For purposes of clarity and should additional routing options be offered in the future,[78] proposed Exchange Rule 2617(b)(5)(A) specifies that all routable orders will be defaulted to the Order Protection routing option.

Proposed Exchange Rule 2617(b)(5) provides that routing options may be combined with all available order types and times-in-force instructions, with the exception of order types and times-in-force instructions whose terms are inconsistent with the terms of a particular routing option. For example, a routing option would be incompatible with a designation that the order also include a Post Only or Do Not Route instruction and an order that includes such a combination will be rejected. The Trading System will consider the quotations only of accessible Trading Centers. The term ''Trading System routing table'' will refer to the proprietary process for determining the specific trading venues to which the Trading System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different Trading System routing table for different routing options and to modify the Trading System routing table at any time without notice.

Proposed Exchange Rule 2617(b)(6) sets forth the priority of routed orders and provides that orders routed by the Trading System to other Trading Centers are not ranked and maintained in the PEARL Equities Book pursuant to proposed Exchange Rule 2616, and therefore are not available for execution against incoming orders and Aggressing Orders pursuant to proposed Exchange Rule 2617(a), described above. Once routed by the Trading System, an order becomes subject to the rules and procedures of the destination Trading Center. The request to cancel an order routed to another Trading Center will not be processed unless and until all or a portion of the order returns unexecuted. For an order that is partially routed to another Trading Center on arrival, the portion that is not routed is assigned a timestamp. If any unexecuted portion of the order returns to the PEARL Equities Book and joins any remaining resting portion of the original order, the returned portion of the order is assigned the same timestamp as the resting portion of the order.[79] If the resting portion of the original order has already executed and any unexecuted portion of the order returns to the Exchange Book, the

[74] 17 CFR 242.610(d), 611.

[75] *See* Exchange Rule 529.

[76] The Exchange's routing logic will not provide any advantage to Users when routing orders to away Trading Centers as compared to other routing methods.

[77] Proposed Exchange Rule 2617(b)(4)(C) is based on BZX *and* BYX Rule 11.13(b)(2)(E) with the only difference being that BZX and BYX will cancel the order in the scenario covered by the rule while the Exchange proposed to treat the order as non-routable.

[78] The Exchange will file a proposed rule change with the Commission pursuant to Section 19(b) of the Exchange Act prior to offering additional routing options.

[79] *See* NYSE Rule 7.36(f)(1)(B).

returned portion of the order is assigned a new timestamp. Following the routing process described above, unless the terms of the order direct otherwise, any unfilled portion of the order shall be ranked in the PEARL Equities Book in accordance with the terms of such order under proposed Exchange Rule 2616 and such order shall be eligible for execution under proposed Exchange Rule 2617.

Risk Settings and Trade Risk Metrics. The Exchange also proposes to offer to all Users of PEARL Equities the ability to establish certain risk control parameters that are intended to assist Users in managing their market risk. The proposed risk controls are set forth under proposed Exchange Rule 2618(a) and are based on those of other equity exchanges.[80] The proposed risk controls are designed to offer Users protection from entering orders outside of certain size and price parameters, as well as selected order type and modifier combinations. The proposed risk controls are also designed to offer Users protection from the risk of duplicative executions.

In addition to the proposed risk settings described above, the Exchange proposes to offer risk functionality that permits Users to block new orders, to cancel all open orders, or to both block new orders and cancel all open orders. Furthermore, the Exchange proposes to offer risk functionality that automatically cancels a User's orders to the extent the User loses its connection to PEARL Equities.

Like other equity exchanges, the Exchange proposes to also offer Purge Ports, which will be a dedicated port that permits a User to simultaneously cancel all or a subset of its orders across multiple logical ports by requesting the Exchange to effect such cancellation. A User initiating such a request may also request that the Exchange block all or a subset of its new inbound orders across multiple logical ports. The block will remain in effect until the earlier of the time at which the User requests the Exchange remove the block or the end of the current trading day.

In particular, the risk control parameters will be useful to Equities Market Makers, who are required to continuously quote in the Equity Securities to which they are assigned. Though the proposed risk controls will be most useful to Equities Market Makers, the Exchange proposes to offer the functionality to all participant types.

In addition to the optional risk control parameters described above, the Exchange proposes to prevent all incoming orders, including those marked ISO, from executing at a price outside the Trading Collar price range.[81] The Trading Collar functionality will not apply to orders eligible for execution during the Opening Process proposed under Exchange Rule 2615. The Trading Collar functionality will be described in proposed Exchange Rule 2618(b). Like other equity exchanges,[82] the Trading Collar will prevent buy orders from trading or routing at prices above the collar and prevents sell orders from trading or routing at prices below the collar. The Trading Collar price range will be calculated using the greater of numerical guidelines for clearly erroneous executions under proposed Exchange Rule 2621 or a specified dollar value established by the Exchange. One difference from other equity exchanges, for Market Orders only, the Exchange proposes to allow Users to select a dollar value lower than the Exchange specified percentages and dollar values on an order by order basis. In such case, the dollar value selected by the User will override the Exchange's default percentage and dollar values. Allowing Users to select a dollar value lower than the Exchange specified percentages and dollar values for their Market Orders provides Users with the ability to augment their risk settings to levels that are commensurate with their risk appetite.

Executions will be permitted at prices within the Trading Collar price range, inclusive of the boundaries. Upon entry, any portion of an order to buy (sell) that will execute, post, or route at a price above (below) the Trading Collar Price will be cancelled.

The Trading Collar price range will be calculated based on a Trading Collar Reference Price. The Exchange proposes a sequence of prices to determine the Trading Collar Reference Price to be used if a certain reference price is unavailable. The Exchange will first utilize the consolidated last sale price disseminated during the Regular Trading Hours on trade date as the Trading Collar Reference Price. If not available, the prior day's Official Closing Price identified as such by the primary listing exchange, adjusted to account for events such as corporate actions and news events will be used. If neither are available to use as the Trading Collar Reference Price, the Exchange will suspend the Trading Collar function, in the interest of maintaining a fair and orderly market in the impacted security.

The Exchange will calculate the Trading Collar price range for a security by applying the Numerical Guideline and reference price to the Trading Collar Reference Price. The result is added to the Trading Collar Reference Price to determine the Trading Collar Price for buy orders, while the result is subtracted from the Trading Collar Reference Price to determine the Trading Collar Price for sell orders. The Trading Collar Price for an order to buy (sell) that is not in the minimum price variation (''MPV'') for the security, as defined in Exchange Rule 2616, will be rounded down (up) to the nearest price at the applicable MPV. The appropriate Trading Collar Price is applied to all orders upon entry. Unlike IEX, the Trading Collar Price is not enforced throughout the life of the order and will not be updated once the order is resting on the PEARL Equities Book.

As stated above, the Trading Collar price range will be calculated using the greater of numerical guidelines for clearly erroneous executions under proposed Exchange Rule 2621 or a specified default dollar value established by the Exchange. The Numerical Guideline to be used in the Trading Collar Price calculation are set forth in the following table.

Trading collar reference price	Regular trading hours numerical guidelines (%)
Greater than $0.00 up to and including $25.00	10
Greater than $25.00 up to and including $50.00	5
Greater than $50.00	3

The Exchange proposes to utilize dollar values in addition to the above percentages to ensure that the Trading Collars do not necessarily constrict the Trading Collars for low priced securities. The Exchange does not propose to specify its default dollar values in proposed Exchange Rule 2621, but rather to post these values on its website.[83] The Exchange believes not including the specified dollar values in its Rules will enable it to modify these

[80] *See* Interpretation and Policy .01 to BYX *and* BZX Rules 11.13, *and* Interpretation and Policy .01 to EDGA *and* EDGX Rules 11.10. *See also* IEX Rule 11.190(f).

[81] The Exchange will apply the proposed Trading Collar price ranges during continuous trading including times when the market for a security is crossed.

[82] *See* IEX Rule 11.190(f).

[83] The Exchange notes that the Cboe Equity Exchanges post their dollar values on their website, rather than their rules. *See* page 9 of the *Cboe US Equities/Options Web Port Controls Specification available at https://cdn.batstrading.com/resources/membership/bats_web_portal_port_controls_specification.pdf.*

values in response to changing market conditions, but in no event will the Exchange adjust these dollar values intra-day. In all circumstances, the Exchange will announce in advance any changes to the specified dollar value via a Regulatory Circular to be distributed to all Equity Members and via its website. As noted above, Users who find the Exchange's specified dollar values as too great can select a dollar value lower for their Market Orders on an order-by-order basis.

Clearly Erroneous Executions. The Exchange proposes to adopt Exchange Rule 2621 regarding clearly erroneous executions, which will be identical in all material respects to the standardized rules of other equity exchanges governing clearly erroneous executions.[84]

LULD Plan and Trading Halts

Market-Wide Circuit Breakers. The Exchange proposes to adopt Rule 2622, paragraphs (a) through (d) of which provides for the market-wide circuit breaker pilot program and be identical to that of other equity exchanges.[85] Proposed Exchange Rule 2622(a)–(d) will operate on a pilot basis set to expire at the close of business on October 18, 2020 and will be identical in all material respects to the standardized market-wide circuit breaker rules of other equity exchanges. If the pilot is not either extended or approved permanently at the end of the pilot period, the Exchange shall amend proposed Exchange Rule 2622 to be consistent with similar rules of other equity exchanges.

LULD Plan Compliance. Proposed Exchange Rule 2622(e) sets forth the Exchange's mechanism for complying with the LULD Plan and is identical in all material respects to the rules of other equities exchanges.[86] In sum, proposed Exchange Rule 2622(e) states that the Exchange is a Participant in the LULD Plan [87] and requires that Equity Members comply with the LULD Plan's provisions.

Proposed Exchange Rule 2622(e) also describes the Exchange's order handling procedures to comply with the LULD Plan. In sum, depending on a User's instructions, the System will re-price and/or cancel buy (sell) interest that is priced or could be executed above (below) the Upper (Lower) Price Band. When re-pricing resting orders because such orders are above (below) the Upper (Lower) Price Band, the Exchange will provide new timestamps to such orders.[88] The Exchange will also provide new timestamps to resting orders at the less aggressive price to which such orders are re-priced. Like other equity exchanges, any resting interest that is re-priced pursuant to proposed Exchange Rule 2622(e) will maintain priority ahead of interest that was originally less aggressively priced, regardless of the original timestamps for such orders.

The System will only execute Market Orders or orders that include a time-in-force of IOC at or within the LULD Price Bands. The Exchange proposes to re-price limit-priced interest that is priced outside of the LULD Price Bands as follows: Limit-priced interest to buy (sell) that is priced above (below) the Upper (Lower) Price Band will be re-priced to the Upper (Lower) Price Band. The System will re-price resting limit-priced interest to buy (sell) to the Upper (Lower) Price Band if Price Bands move such that the price of resting limit-priced interest to buy (sell) would be above (below) the Upper (Lower) Price Band. If the Price Bands move again and a User has opted into the Exchange's optional multiple price sliding process, as described in proposed Exchange Rule 2614(g)(1)(C), the System shall re-price such limit-priced interest to the most aggressive permissible price to the order's limit price. Otherwise, the order will not be re-priced again. All other displayed and non-displayed limit interest repriced pursuant to proposed Exchange Rule 2622(e) will remain at its new price unless the Price Bands move such that the price of resting limit-priced interest to buy (sell) would again be above (below) the Upper (Lower) Price Band. Limit-priced interest priced above (below) the Upper (Lower) Price Band will be cancelled if the User elected that the order not be re-priced pursuant to the above described process.

The Exchange will not route buy (sell) interest at a price above (below) the Upper (Lower) Price Band. During a Short Sale Period, as defined in proposed Exchange Rule 2614(g)(3)(A), short sale orders not marked short exempt priced below the Lower Price Band shall be repriced to the higher of the Lower Price Band or the Permitted Price, as defined in proposed Exchange Rule 2614(g)(3)(A).

At the end of the Trading Pause (as defined in the LULD Plan), the Exchange will re-open the security in a manner similar to its opening procedures set forth in proposed Exchange Rule 2615, described above. On the occurrence of any trading halt pursuant to proposed market-wide circuit breaker mechanism or LULD Plan, all outstanding orders in the System will remain on the PEARL Equities Book, unless the User has designated that its orders be cancelled.

Proprietary Market Data. The Exchange will offer two standard proprietary market data products for PEARL Equites, the Top of Market feed and the Depth of Market feed. Each of these proprietary market data products are described in proposed Exchange Rule 2625.

Proposed Exchange Rule 2625(a) provides that the Depth of Market feed is a data feed that contains the displayed price and size of each order in an Equity Security entered in the Trading System, as well as order execution information, order cancellations, order modifications, order identification numbers, and administrative messages.[89] Proposed Exchange Rule 2625(b) provides that the Top of Market Feed is a data feed that contains the price and aggregate size of displayed top of book quotations, order execution information, and administrative messages for Equity Securities entered into the Trading System.[90]

The Exchange will also offer historical data for PEARL Equities upon request. As such, proposed Exchange Rule 2625(c) provides that Historical Data is a data product that offers historical equity security data for orders entered into the System upon request.[91]

Retail Order Attribution Program. As described above, the Exchange proposes to allow Users to attach an ''Attributable'' instruction to their displayed orders so that their MPID is included with their order on the Exchange's proprietary market data feeds. The Exchange also proposes to offer another form of attribution to Equity Members that qualify as Retail Member Organizations (''RMOs'') (defined below). In sum, under the

[84] *See* IEX Rule 11.270, Clearly Erroneous Executions.

[85] *See* IEX Rule 11.280, BYX *and* BZX Rules 11.18, *and* EDGA *and* EDGX Rules 11.16.

[86] *See* BYX *and* BZX Rule 11.18(e), *and* EDGA *and* EDGX Rule 11.16(e). *See also* IEX Rule 11.280.

[87] *See supra* note 5. The Exchange intends to become a Participant in the LULD Plan prior to launching PEARL Equities.

[88] As proposed, only limit priced interest with a time-in-force of RHO may rest on the PEARL Equities Book.

[89] The description of the Depth of Market feed under proposed Exchange Rule 2625(a) is based on EDGA Rule 13.8(a), EDGX Rule 13.8(a), and IEX Rule 11.330(a)(3).

[90] The description of the Top of Market feed under proposed Exchange Rule 2625(b) is based on EDGA Rule 13.8(c), EDGX Rule 13.8(c), and IEX Rule 11.330(a)(1).

[91] The description of Historical Data under proposed Exchange Rule 2625(b) is based on BYX Rule 11.22(h), BZX Rule 11.22(h), and IEX Rule 11.330(a)(5).

proposed Retail Order Attribution Program (''Program''), RMOs will be able to designate that their Retail Orders (defined below) be identified as ''Retail'', rather than by their MPID, on the Exchange's proprietary data feeds.[92] Proposed Exchange Rule 2626(f) describes the Retail Order Attribution and provides that RMOs may designate that their Retail Orders be identified as Retail on an order-by-order basis.

Proposed Exchange Rule 2626(a) sets forth definitions applicable to the Program. Retail Member Organization or RMO is be defined as ''an Equity Member (or a division thereof) that has been approved by the Exchange under this Rule to submit Retail Orders.'' A ''Retail Order'' is defined as an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Exchange by a Retail Member Organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology.

Proposed Exchange Rule 2626(b) through (d) sets forth the qualification and application process for Equity Members to become RMOs and participate in the Program, how an Equity Member's RMO status may be revoked, and the process to appeal a denial or revocation of RMO status.

Proposed Exchange Rule 2626(b) sets forth the RMO qualification and application process. To qualify as an RMO, an Equity Member must conduct a retail business or route retail orders on behalf of another broker-dealer. For purposes of this Exchange Rule, conducting a retail business shall include carrying retail customer accounts on a fully disclosed basis.

To become a Retail Member Organization, a Member must submit: (A) An application form; (B) supporting documentation, which may include sample marketing literature, website screenshots, other publicly disclosed materials describing the Equity Member's retail order flow, and any other documentation and information requested by the Exchange in order to confirm that the applicant's order flow will meet the requirements of the Retail Order definition; and (C) an attestation, in a form prescribed by the Exchange, that substantially all orders submitted as Retail Orders will qualify as such under this Exchange Rule.

After an applicant submits the application form, supporting documentation, and attestation, the Exchange shall notify the applicant of its decision in writing. A disapproved applicant may: (A) Request an appeal of such disapproval by the Exchange as provided in proposed Exchange Rule 2626(d), described below; and/or (B) reapply for RMO status 90 days after the disapproval notice is issued by the Exchange. An RMO may voluntarily withdraw from such status at any time by giving written notice to the Exchange.

An RMO must have written policies and procedures reasonably designed to assure that it will only designate orders as Retail Orders if all requirements of a Retail Order are met. Such written policies and procedures must require the Equity Member to: (i) Exercise due diligence before entering a Retail Order to assure that entry as a Retail Order is in compliance with the requirements of this Exchange Rule, and (ii) monitor whether orders entered as Retail Orders meet the applicable requirements. If an RMO does not itself conduct a retail business but routes Retail Orders on behalf of another broker-dealer, the RMO's supervisory procedures must be reasonably designed to assure that the orders it receives from such other broker-dealer that are designated as Retail Orders meet the definition of a Retail Order. The RMO must: (i) Obtain an annual written representation, in a form acceptable to the Exchange, from each other broker-dealer that sends the RMO orders to be designated as Retail Orders that entry of such orders as Retail Orders will be in compliance with the requirements of this Exchange Rule; and (ii) monitor whether Retail Order flow routed on behalf of such other broker-dealers meets the applicable requirements.

Proposed Exchange Rule 2626(c) states that if an RMO designates orders submitted to the Exchange as Retail Orders and the Exchange determines, in its sole discretion, that such orders fail to meet any of the requirements set forth in proposed Exchange Rule 2626(a) described above, the Exchange may disqualify an Equity Member from its status as an RMO. The Exchange shall determine if and when an Equity Member is disqualified from its status as an RMO. When disqualification determinations are made, the Exchange shall provide a written disqualification notice to the Equity Member.

Exchange Rule 2626(d) provides for an appeal process for RMOs that are disqualified or denied RMO status. An RMO that is disqualified under proposed Exchange Rule 2626(c) may appeal the disqualification, and/or reapply for RMO status 90 days after the date of the disqualification notice from the Exchange. If an Equity Member disputes the Exchange's decision to disapprove its RMO application or disqualify it as an RMO, the Equity Member (''appellant'') may request, within five business days after notice of the decision is issued by the Exchange, that the Retail Attribution Panel (the ''Panel'') review the decision to determine if it was correct. The Panel will consist of the Exchange's Chief Regulatory Officer (''CRO''), or a designee of the CRO, and two officers of the Exchange designated by the Chief Information Officer (''CIO''). The Panel will review the facts and render a decision within the time frame prescribed by the Exchange and may overturn or modify an action taken by the Exchange under proposed Exchange Rule 2626. A determination by the Panel shall constitute final action by the Exchange.

Miscellaneous Rules based on other Equity Exchanges. The Exchange also proposes to adopt the following rules, which are identical in all material respects to those of other equities exchanges: Rule 2619, Trade Reporting and Execution,[93] Rule 2620, Clearance and Settlement, Anonymity,[94] Rule 2623, Short Sales,[95] and Rule 2624, Locking or Crossing Quotations in NMS Stocks.[96]

Conduct and Operational Rules for Equity Members

The Exchange proposes to adopt rules that are identical in all material respects to the approved rules of other equity exchanges,[97] including rules covering similar subject matter as existing Exchange Rules and, the Exchange's affiliate, Miami International Securities

[92] The Exchange's proposed Retail Order Attribution Program is substantially similar to EDGX Rule 11.21, with the only differences being that (1) proposed Exchange Rule 2622(e) will not provide for dedicated ports for Retail Orders, (2) Exchange Rule 2626(e) will be marked ''Reserved'' and not account for dedicated retail order ports as is done on EDGX, and (3) Exchange Rule 2626(f) will not account for Retail Priority Orders, as this functionality would not be offered by PEARL Equites.

[93] *See* BYX *and* BZX Rules 11.14, *and* EDGA *and* EDGX Rules 11.12.

[94] *See* BYX *and* BZX Rules 11.15, *and* EDGA *and* EDGX Rules 11.13. *See also* IEX Rule 11.250.

[95] *See* BYX *and* BZX Rules 11.19. *See also* IEX Rule 11.290.

[96] *See* BYX *and* BZX Rules 11.20. *See also* IEX Rule 11.310.

[97] *See, e.g.,* IEX Chapter 3 (Rules of Fair Practice), Rule 4.200 (Margin), Chapter 5 (Supervision), Chapter 6 (Miscellaneous Provisions), *and* Chapter 10 (Trading Practice Rules). The Exchange will request an exemption from the rule filing requirements of Section 19(b) of the Exchange Act for those rules of another self-regulatory organization (''SRO'') that it proposes to incorporate by reference and to the extent such rules are effected solely by virtue of a change to any of those rules.

Exchange, LLC (''MIAX'') applicable to options.[98] Thus, the Exchange proposes to adopt rules regarding: Rules of Fair Practice (Chapter XXI), Books, Records, and Reports (Chapter XXII), Supervision (Chapter XXIII), Margin (Chapter XXIV), Chapter XXVII (Trading Practice Rules), and other miscellaneous provisions (Chapter XXVIII). At times, certain proposed Rules for PEARL Equities cross reference an existing Exchange Rule applicable to options where the subject matter is either identical or substantially similar. In other cases, the Exchange proposes to adopt a standalone Rule for PEARL Equities where an existing Exchange Rule for options contained terminology specific for options trading.

The Exchange notes that certain requirements that will be applicable to Equity Members are contained in other sections of the Exchange's existing Rules. For example, the Exchange has included rules regarding equity participation into proposed Exchange Rule 2000, but also proposed to include references to applicable registration requirements that are already contained in Chapter II of the Exchange's existing Rules.

Unlisted Trading Privileges

The Exchange proposes to adopt Chapter XXIX regarding securities traded pursuant to unlisted trading privileges and setting standards for certain equity derivative securities that are identical to the rules of equity exchanges.[99] Proposed Exchange Rule 2900, Unlisted Trading Privileges, provide that the Exchange may extend unlisted trading privileges (''UTP'') to any NMS Stock that is listed on another national securities exchange or with respect to which UTP may otherwise be extended in accordance with Section 12(f) of the Exchange Act and any such security shall be subject to all Exchange rules applicable to trading on the Exchange, unless otherwise noted.

Any UTP security that is a UTP Exchange Traded Product, as defined in proposed Exchange Rule 1901, will be subject to the additional following requirements set forth in proposed Exchange Rule 2900 and based on the rules of other equity exchanges.

Proposed Exchange Rule 2900(b)(1) provides that the Exchange will distribute an information circular prior to the commencement of trading in each such UTP Exchange Traded Product that generally includes the same information as is contained in the information circular provided by the listing exchange, including (a) the special risks of trading the new Exchange Traded Product, (b) the Exchange Rules that will apply to the new Exchange Traded Product, and (c) information about the dissemination of value of the underlying assets or indices.

Proposed Exchange Rule 2900(b)(2) sets forth requirements regarding the product's description and applies only to UTP Exchange Traded Products that are the subject of an order by the Commission exempting such series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and are not otherwise subject to prospectus delivery requirements under the Securities Act of 1933.

The Exchange will inform Equity Members of the application of the provisions of proposed Exchange Rule 2900(b)(2)(B) to UTP Exchange Traded Products by means of an information circular. Proposed Exchange Rule 2900(b)(2)(B) requires that Equity Members provide each purchaser of UTP Exchange Traded Products a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such securities is delivered to such purchaser. In addition, Equity Members will include a written description with any sales material relating to UTP Exchange Traded Products that is provided to customers or the public. Any other written materials provided by an Equity Member to customers or the public making specific reference to the UTP Exchange Traded Products as an investment vehicle must include a statement substantially in the following form:

''A circular describing the terms and characteristics of [the UTP Exchange Traded Products] has been prepared by the [open-ended management investment company name] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [the UTP Exchange Traded Products].''

An Equity Member carrying an omnibus account for a non-Member is required to inform such non-Member that execution of an order to purchase UTP Exchange Traded Products for such omnibus account will be deemed to constitute an agreement by the non-Member to make such written description available to its customers on the same terms as are directly applicable to the Equity Member under this Rule.

Proposed Exchange Rule 2900(b)(2)(C) provides that upon request of a customer, an Equity Member will also provide a prospectus for the particular UTP Exchange Traded Product.

Proposed Exchange Rule 2900(b)(3) governs trading halts and provides that the Exchange will halt trading in a UTP Exchange Traded Product as provided for in proposed Exchange Rule 2622. Nothing in proposed Exchange Rule 2900(b)(3) is intended to limit the power of the Exchange under the Rules or procedures of the Exchange with respect to the Exchange's ability to suspend trading in any securities if such suspension is necessary for the protection of investors or in the public interest.

Proposed Exchange Rule 2900(b)(4) sets forth restriction on Equity Members acting as Equities Market Makers on the Exchange in a UTP Exchange Traded Product that derives its value from one or more currencies, commodities, or derivatives based on one or more currencies or commodities, or is based on a basket or index composed of currencies or commodities (collectively, ''Reference Assets''):

First, Equities Market Makers must file with the Exchange, in a manner prescribed by the Exchange, and keep current a list identifying all accounts for trading the underlying physical asset or commodity, related futures or options on futures, or any other related derivatives (collectively with Reference Assets, ''Related Instruments''), which the Equity Member acting as a registered Equites Market Maker on the Exchange may have or over which it may exercise investment discretion. No Equities Market Maker will be permitted to trade in the underlying physical asset or commodity, related futures or options on futures, or any other related derivatives, in an account in which an Equity Member acting as a registered Equities Market Maker on the Exchange, directly or indirectly, controls trading activities, or has a direct interest in the profits or losses thereof, which has not been reported to the Exchange as required by proposed Exchange Rule 2900.

Second, an Equities Market Maker on the Exchange will, in a manner prescribed by the Exchange, be required to file with the Exchange and keep current a list identifying any accounts (''Related Instrument Trading

[98] Under the proposed rules for PEARL Equities, the Exchange incorporated by reference an existing Exchange rule applicable options where that rule did not solely incorporate a rule of the Exchange's affiliate, MIAX, by reference, but also included substantive requirements. In the case where an existing Exchange Rule applicable to options incorporated by reference a MIAX Rule, the Exchange proposed a rule for equities that directly incorporated the same MIAX rule by reference.

[99] *See, e.g.,* proposed MEMX Rule 14.1. *See also* BYX, EDGA, *and* EDGX Rules 14.1.

Accounts'') for which Related Instruments are traded: (i) In which the Equities Market Maker holds an interest; (ii) over which it has investment discretion; or (iii) in which it shares in the profits and/or losses. An Equities Market Maker on the Exchange will not be permitted to have an interest in, exercise investment discretion over, or share in the profits and/or losses of a Related Instrument Trading Account that has not been reported to the Exchange as required by proposed Exchange Rule 2900.

Third, in addition to the existing obligations under Exchange rules regarding the production of books and records under proposed Chapter XXII described above, an Equities Market Maker on the Exchange will be required to, upon request by the Exchange, make available to the Exchange any books, records, or other information pertaining to any Related Instrument Trading Account or to the account of any registered or non-registered employee affiliated with the Equities Market Maker on the Exchange for which Related Instruments are traded.

Lastly, proposed Exchange Rule 2900(b)(4) provides that an Equities Market Maker on the Exchange will not use any material nonpublic information in connection with trading a Related Instrument.

Proposed Exchange Rule 2900(b)(5) provides that the Exchange will enter into comprehensive surveillance sharing agreements with markets that trade components of the index or portfolio on which the UTP Exchange Traded Product is based to the same extent as the listing exchange's rules require the listing exchange to enter into comprehensive surveillance sharing agreements with such markets.

Dues, Fees, Assessments, and Other Charges

The Exchange proposes to adopt rules with regard to fees it may charge that are identical or substantially similar to the rules of the Cboe Equity Exchanges and IEX.[100] Proposed Exchange Rule 3000(a) will set forth the Exchange's general ability to prescribe dues, fees, assessments and other charges.

Proposed Exchange Rule 3000(b) describes the manner in which the Exchange will assess fees related to Section 31 of the Exchange Act to Member transactions on PEARL Equities. Proposed Exchange Rule 3000(c) provides that the Exchange will provide Equity Members notice of all relevant dues, fees, assessment and other charges and that such notice will be made via the Exchange's website or other reasonable method. Proposed Exchange Rule 3000(d) provides that to the extent the Exchange is charged a fee by a third party that results directly from an Equity Member cross-connecting its trading hardware to the Exchange's System from another Trading Center's system that is located in the same data center as the Exchange, the Exchange will pass that fee on, in full, to the Equity Member.[101]

Proposed Exchange Rule 3001 provides that any revenues received by the Exchange from fees derived from its regulatory function or regulatory fines related to PEARL Equities will not be used for non-regulatory purposes or distributed to the stockholder, but rather, shall be applied to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities), or, as the case may be, shall be used to pay restitution and disgorgement of funds intended for customers (except in the event of liquidation of the Exchange, in which case Miami International Holdings, Inc. will be entitled to the distribution of the remaining assets of the Exchange).[102]

Proposed Exchange Rule 3002(a) provides that each Equity Member, and all applicants for registration as such, shall be required to provide a clearing account number for an account at the National Securities Clearing Corporation (''NSCC'') for purposes of permitting the Exchange to debit any undisputed or final fees, fines, charges and/or other monetary sanctions or other monies due and owing to the Exchange or other charges pursuant to Exchange Rule 3000, including the Exchange Fee Schedule thereto; Regulatory Transaction Fees pursuant to Exchange Rule 3000(b); dues, assessments and other charges pursuant to Exchange Rules 1202 and 1203 to the extent the Exchange were to determine to charge such fees; and fines, sanctions and other charges pursuant to Chapters IX, X, and XI of the Exchange Rulebook which are due and owing to the Exchange.[103]

Proposed Exchange Rule 3002(b) provides that all disputes concerning fees, dues or charges assessed by the Exchange must be submitted to the Exchange in writing and must be accompanied by supporting documentation. All disputes related to fees, dues or other charges must be submitted to the Exchange no later than sixty (60) days after the date of the monthly invoice. All Exchange invoices are due in full on a timely basis and payable in accordance with proposed Exchange Rule 3002(a). Any disputed amount resolved in the Member's favor will be subsequently credited to the clearing account number for an account at the NSCC.

National Market System Plans

The Exchange will operate as a full and equal participant in the national market system for equity trading established under Section 11A of the Exchange Act, just as its options market participates today. The Exchange is currently a member of the National Market System Plan for the Selection and Reservation of Securities Symbols. The Exchange will also become a member of the following national market systems plans applicable to the trading of equity securities:

- The National Market System Plan to Address Extraordinary Market Volatility;
- The Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privileges Basis (''NASDAQ/UTP Plan,'' ''UTP Plan'');
- The Second Restatement of the Consolidated Tape Association (''CTA'') Plan and the Restated Consolidated Quotation (''CQ'') Plan (''CTA/CQ Plans''); and
- The National Market System Plan Establishing Procedures Under Rule 605 of Regulation NMS.

The Exchange expects to participate in those plans on the same terms currently applicable to current members of those plans, and it expects little or no plan impact due to the proposed operation of PEARL Equities is similar to several other existing equity exchanges.

Regulation

The Exchange will leverage many of the structures it established to operate as a national securities exchange in compliance with Section 6 of the Exchange Act. As described in more detail below, there will be three elements of that regulation: (1) The Exchange will join the existing equities industry agreements and establish new agreements, as necessary, pursuant to Section 17(d) of the Exchange Act, as it has with respect to its options market, (2) the Exchange's Regulatory Services Agreement (''RSA'') with FINRA will

[100] *See* Chapter 15 of IEX Rules and Chapter 15 of the Rules of each of the Cboe Equity Exchanges. The Exchange will file a separate proposed rule change with the Commission to establish its fee structure.

[101] Proposed Exchange Rule 3000(d) is based on IEX Rule 15.110(d).

[102] Proposed Exchange Rule 3001 is based on Rule 15.2 of each of the Cboe Equity Exchanges.

[103] Proposed Exchange Rule 3002 is based on IEX Rule 15.120.

govern many aspects of the regulation and discipline of Members that participate in equities trading, just as it does for options market regulation, and (3) the Exchange will authorize Equity Members to trade on PEARL Equities and conduct surveillance of equity trading as it does today for options.

Section 17(d) of the Exchange Act and the related Exchange Act rules permit SROs to allocate certain regulatory responsibility to avoid duplicative oversight and regulation. Under Exchange Act Rule 17d–1, the Commission designates one SRO to be the Designated Examining Authority, or DEA, for each broker-dealer that is a member of more than one SRO. The DEA is responsible for the financial aspects of that broker-dealer's regulatory oversight. Because Members also must be members of at least one other SRO, the Exchange will generally not be designated as the DEA for any of its Members.

Rule 17d–2 of the Exchange Act permits SROs to file with the Commission plans under which the SROs allocate among each other the responsibility to receive regulatory reports from, and examine and enforce compliance with specified provisions of the Exchange Act and rules thereunder and SRO rules by, firms that are members of more than one SRO (''common members''). If such plan is declared effective by the Commission, an SRO that is a party to the plan is relieved of regulatory responsibility as to any common member for whom responsibility is allocated under the plan to another SRO. The Exchange will establish 17d–2 Plans for Allocation of Regulatory Responsibilities, including, subject to Commission approval, (i) a plan with FINRA pursuant to which the Exchange and FINRA will agree to allocate to FINRA, with respect to common members, regulatory responsibility for overseeing and enforcing certain applicable laws, rules, and regulations of PEARL Equities, (ii) joining the multi-party plan with FINRA and other national securities exchanges for the surveillance, investigation, and enforcement of common insider trading rules, and (iii) joining the multi-party plan with FINRA and other national securities exchanges for the allocation of regulatory responsibilities with respect to certain Regulation NMS Rules. In addition, the Exchange will (i) expand its existing RSA with FINRA, pursuant to which FINRA performs various regulatory services on behalf of the Exchange, subject to the Exchange's ultimate responsibility, including the review of membership applications and the conduct of investigations, disciplinary and hearing services, (ii) join the Intermarket Surveillance Group (''ISG''), and (iii) submit a Minor Rule Violation Plan to the Commission under Rule 19d–1(c)(2) of the Exchange Act.

FINRA also currently surveils options trading on behalf of the Exchange pursuant to an existing RSA designed to detect violations of Exchange rules and applicable federal securities laws. This existing RSA will be expanded to provide for FINRA to also surveil equities trading on PEARL Equities on behalf of the Exchange and the Exchange will remain responsible for FINRA's performance under this RSA. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of equity securities and to deter and detect violations of Exchange rules and applicable federal securities laws. The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

Pursuant to proposed Exchange Rule 2900(b)(5), with respect to securities traded under proposed Chapter 14 of the Exchange Rules pursuant to unlisted trading privileges, the Exchange shall enter into a comprehensive surveillance sharing agreement with markets trading components of the index or portfolio on which shares of an exchange-traded product is based to the same extent as the listing exchange's rules require the listing exchange to enter into a comprehensive surveillance sharing agreement with such markets. FINRA, on behalf of the Exchange, may obtain information, and will communicate information as needed, regarding trading in the shares of the exchange-traded products, as well as in the underlying exchange-traded securities and instruments with other markets and other entities that are members of ISG. In addition, the Exchange may obtain information regarding trading in such shares and underlying securities and instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's Trade Reporting and Compliance Engine (''TRACE'').

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act [104] and 11A of the Act [105] in general, and furthers the objectives of Sections 6(b)(5) [106] and 11A(a)(1) of the Act [107] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As described above, the fundamental premise of the proposal is that the Exchange will operate its equity market in a manner similar to that of other equity exchanges, with a suite of order types and deterministic functionality leveraging the Exchange's existing robust and resilient technology platform. The Exchange believes PEARL Equities will benefit individual investors, equity trading firms, and the equities market generally by providing much needed competition to the existing three dominant exchange groups. The entry of an innovative, cost competitive market such as PEARL Equities will promote competition, spurring existing exchanges to improve their own executions systems and reduce trading costs.

The Exchange proposes to offer a suite of conventional order types and order type modifiers that are designed to provide for an efficient, robust, and transparent order matching process. The basis for a majority of the rules of PEARL Equities are the approved rules of other equity exchanges, which have already been found consistent with the Exchange Act. Therefore, the Exchange does not believe that any of the proposed order types and order type functionality raise any new or novel issues that have not been previously considered by the Commission.

In few instances where the Exchange proposed functionality that differs from that of other equities exchanges, it has done so either to improve upon an existing process, such as in the case of the proposed Opening Process [108] and

[104] 15 U.S.C. 78f(b).

[105] 15 U.S.C. 78k–1.

[106] 15 U.S.C. 78f(b)(5).

[107] 15 U.S.C. 78k–1(a)(1).

[108] *See* proposed Exchange Rule 2615.

proposed risk controls,[109] or to adopt functionality to address and maintain a fair and orderly market, such as re-pricing of odd lot sized orders.[110]

Specifically, the Exchange believes proposed Exchange Rules 2611(b) describing how the Exchange will re-price an odd-lot order removes impediments to and perfect the mechanism of a free and open market and a national market system by reducing the potential for an odd lot order to appear on the Exchange's proprietary data feeds as though it is locking or crossing the PBBO. The proposed re-pricing of odd lot orders is also similar to that of other equity exchanges.[111]

The Exchange further believes that the functionality that it proposes to offer is consistent with Section 6(b)(5) of the Act [112] because the System is designed to be efficient and its operation transparent, thereby facilitating transactions in securities, removing impediments to and perfecting the mechanisms of a free and open national market system. As noted above, the Exchange's proposed rules, order type functionality, and order matching process are designed to comply with all applicable regulatory requirements, including Regulation NMS, Regulation SHO, and the LULD Plan.

The Exchange believes that the rules of PEARL Equities as well as the proposed method of monitoring for compliance with and enforcing such rules is also consistent with the Exchange Act, particularly Sections 6(b)(1), 6(b)(5) and 6(b)(6) of the Act, which require, in part, that an exchange have the capacity to enforce compliance with, and provide appropriate discipline for, violations of the rules of the Commission and of the exchange.[113] The Exchange has proposed to adopt rules necessary to regulate Equity Members that are nearly identical to the approved rules of other equities exchanges. The Exchange proposes to regulate activity on PEARL Equities in the same way it regulates activity on its options market, specifically through various Exchange specific functions, an RSA with FINRA, as well as participation in industry plans, including plans pursuant to Rule 17d–2 under the Exchange Act.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in an intensely competitive global marketplace for transaction services. Relying on its array of services and benefits, the Exchange competes for the privilege of providing market services to broker-dealers. The Exchange's ability to compete in this environment is based in large part on the quality of its trading systems, the overall quality of its market and its attractiveness to the largest number of investors, as measured by speed, likelihood and cost of executions, as well as spreads, fairness, and transparency.

Consolidation amongst U.S. equities exchanges has led to nearly all being owned and operated by three primary exchange groups,[114] thereby diminishing the competitive landscape among equities exchanges. This proposal will enhance competition by allowing the Exchange to leverage its existing robust technology platform to provide a resilient, deterministic, and transparent execution platform for equity securities. The proposed rule change will insert an additional, much needed, competitive dynamic to existing equities landscape by allowing the Exchange to compete with existing equity exchanges on order types, order type functionality, risk controls, and order matching processes.

The proposed rule change will reduce overall trading costs and increase price competition, both pro-competitive developments, and will promote further initiative and innovation among market centers and market participants.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) By order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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–2020–03 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–2020–03. 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

[109] *See* proposed Exchange Rules 2614(a)(1)(I) *and* 2618.

[110] *See* proposed Exchange Rule 2611.

[111] Proposed Exchange Rule 2611 would differ from NYSE Rule 7.38, NYSE Arca Rule 7.38–E, NYSE American Rule 7.38E, *and* NYSE National Rule 7.38 by re-pricing the odd lot order to buy (sell) to the PBB (PBO) of the Exchange when the PBB (PBO) of the Exchange was previously locked or crossed by an away Trading Center.

[112] 15 U.S.C. 78(f)(5).

[113] 15 U.S.C. 78f(b)(1), 78f(b)(5) *and* 78f(b)(6).

[114] Currently, 12 of the 14 registered U.S. equity exchanges are owned by three groups: Cboe Holdings, Inc. operates four equities exchanges, BYX, BZX, EDGA, and EDGX; the Intercontinental Exchange Group, Inc. (''ICE'') operates five equities exchanges, NYSE, NYSE American, NYSE Arca, NYSE National, and NYSE Chicago; and Nasdaq, Inc. operates three equities exchanges, Nasdaq, Nasdaq Phlx, and Nasdaq BX. IEX and the Long Term Stock Exchange, Inc. (''LTSE'') are the only two independently operated equities exchanges. The LTSE has yet to commence operations.

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–2020–03 and should be submitted on or before March 4, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[115]

J. Matthew DeLesDernier,

Assistant Secretary.

[FR Doc. 2020–02750 Filed 2–11–20; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549–2736

Extension:

Rule 104, SEC File No. 270–411, OMB Control No. 3235–0465

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (''PRA'') (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (''Commission'') is soliciting comments on the existing collection of information provided for in Rule 104 of Regulation M (17 CFR 242.104), under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*). The Commission plans to submit this existing collection of information to the Office of Management and Budget (''OMB'') for extension and approval.

Rule 104—Stabilizing and Other Activities in Connection with an Offering—permits stabilizing by a distribution participant during a distribution so long as the distribution participant discloses information to the market and investors. This rule requires disclosure in offering materials of the potential stabilizing transactions and that the distribution participant inform the market when a stabilizing bid is made. It also requires the distribution participants (*i.e.,* the syndicate manager) to maintain information regarding syndicate covering transactions and penalty bids and disclose such information to the Self-Regulatory Organization (SRO).

There are approximately 805 respondents per year that require an aggregate total of 161 hours to comply with this rule. Each respondent makes an estimated 1 annual response. Each response takes approximately 0.20 hours (12 minutes) to complete. Thus, the total compliance burden per year is 161 hours. The total estimated internal labor cost of compliance for the respondents is approximately $11,270.00 per year, resulting in an estimated internal cost of compliance for each respondent per response of approximately $14.00 (*i.e.,* $11,270.00/805 respondents).

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

Please direct your written comments to: David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o Cynthia Roscoe, 100 F Street NE, Washington, DC 20549 or send an email to: *PRA_Mailbox@sec.gov.*

Dated: February 7, 2020.

J. Matthew DeLesDernier,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549–2736

Extension:

Rule 17a–22, SEC File No. 270–202, OMB Control No. 3235–0196

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (''PRA'') (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (''Commission'') is soliciting comments on the collection of information provided for in Rule 17a–22 (17 CFR. 240.17a–22) under the Securities Exchange Act of 1934 (''Exchange Act'') (15 U.S.C. 78a *et seq.*). The Commission plans to submit this existing collection of information to the Office of Management and Budget (''OMB'') for extension and approval.

Rule 17a–22 requires all registered clearing agencies to file with the Commission three copies of all materials they issue or make generally available to their participants or other entities with whom they have a significant relationship. The filings with the Commission must be made within ten days after the materials are issued or made generally available. When the Commission is not the clearing agency's appropriate regulatory agency, the clearing agency must file one copy of the material with its appropriate regulatory agency.

The Commission is responsible for overseeing clearing agencies and uses the information filed pursuant to Rule 17a–22 to determine whether a clearing agency is implementing procedural or policy changes. The information filed aides the Commission in determining whether such changes are consistent with the purposes of Section 17A of the Exchange Act. Also, the Commission uses the information to determine whether a clearing agency has changed its rules without reporting the actual or prospective change to the Commission as required under Section 19(b) of the Exchange Act.

The respondents to Rule 17a–22 are registered clearing agencies. The frequency of filings made by clearing agencies pursuant to Rule 17a–22 varies but on average there are approximately 120 filings per year per active clearing agency. There are nine clearing agencies, but only seven active registered clearing agencies that are expected to submit filings under Rule 17a–22. The Commission staff estimates that each response requires approximately .25 hours (fifteen minutes), which represents the time it takes for a staff person at the clearing agency to properly identify a document subject to the rule, print and make copies, and mail that document to the Commission. Thus, the total annual burden for all active clearing agencies is approximately 210 hours (7 clearing agencies multiplied by 120 filings per clearing agency multiplied by .25 hours).

[115] 17 CFR 200.30–3(a)(12).