

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100092; File No. SR-PEARL-2024-23)

May 9, 2024

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

Pursuant to the provisions of 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 April 30, 2024, MIAX PEARL, LLC (“MIAX Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend the fee schedule (the “Fee Schedule”) applicable to MIAX Pearl Equities, an equities trading facility of the Exchange.

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

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to: (1) amend the Definitions and General Notes sections of the Fee Schedule to consolidate and relocate text regarding certain days and circumstances that the Exchange excludes from its calculation each month for purposes of determining an Equity Member's³ qualification for the Exchange's transaction pricing tiers and incentives; and (2) include additional days that the Exchange will exclude from its calculation each month for purposes of determining an Equity Member's qualification for the Exchange's transaction pricing tiers and incentives.

Currently, the Definitions section of the Fee Schedule includes a sentence that states that the Exchange excludes from its calculation of ADAV,⁴ ADV,⁵ and NBBO Set Volume⁶ shares added or removed on any day that the Exchange's system experiences a disruption that lasts for more than 60 minutes during regular trading hours, on any day with a scheduled early market close, and on the "Russell Reconstitution Day" (typically the last Friday in June). The Definitions section of the Fee Schedule also includes a sentence that states that the Exchange

³ The term "Equity Member" is a Member authorized by the Exchange to transact business on MIAX Pearl Equities. See Exchange Rule 1901.

⁴ The term "ADAV" means average daily added volume calculated as the number of shares added per day and "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day. ADAV and ADV are calculated on a monthly basis. "NBBO Set Volume" means the ADAV in all securities of an Equity Member that sets the NBB or NBO on MIAX Pearl Equities. See the Definitions section of the Fee Schedule.

⁵ See id.

⁶ See id.

excludes from its calculation of TCV⁷ volume on any given day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during Regular Trading Hours,⁸ on any day with a scheduled early market close, and on the “Russell Reconstitution Day” (typically the last Friday in June). The General Notes section of the Fee Schedule includes a sentence that states that for the purpose of determining qualification for the rebates described in Level B and Level C of the Market Quality Tier columns in the NBBO Setter Plus Program (referred to herein as the “NBBO Program”),⁹ the Exchange will exclude from its calculation: (1) any trading day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during regular trading hours; (2) any day with a scheduled early market close; and (3) the “Russell Reconstitution Day” (typically the last Friday in June).¹⁰

The Exchange now proposes to reorganize the Definitions section and the General Notes section of the Fee Schedule to consolidate the texts of current days and circumstances that the Exchange excludes from its calculation of ADAV, ADV, and TCV, and relocate the texts of those exclusions from the Definitions section to the General Notes section of the Fee Schedule. The Exchange also proposes to delete the reference to “Level B and Level C” of the Market Quality Tier columns of the NBBO Program in the final sentence of the General Notes section as all Levels of the Market Quality Tier columns of the NBBO Program are subject to the same trading days and circumstances for volume exclusions currently provided by the Exchange. The Exchange believes that the proposed changes would provide greater clarity to market participants

⁷ The term “TCV” means total consolidated volume calculated as the volume in shares reported by all exchanges and reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply. See the Definitions section of the Fee Schedule.

⁸ The term “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See Exchange Rule 1901.

⁹ See Fee Schedule, Section 1)c).

¹⁰ See the General Notes section of the Fee Schedule.

regarding the days and circumstances that the Exchange excludes volume from its calculation of ADAV, ADV, TCV, NBBO Set Volume and Levels of the Market Quality Tier columns of the NBBO Program. The Exchange notes that these proposed changes do not alter the current days or circumstances pursuant to which the Exchange excludes volume from its monthly calculation of an Equity Member's qualification for the Exchange's transaction pricing tiers and incentives.

Next, the Exchange proposes to include in the list of days excluded from such calculations any day that the MSCI Equities Indexes are rebalanced ("MSCI Rebalance Day"), which occur on a quarterly basis each year, and any day that the S&P 400, S&P 500, and S&P 600 Indexes are rebalanced ("S&P Rebalance Day"), which also occur on a quarterly basis each year.

For the same reasons that the Exchange currently excludes the day that Russell Investments reconstitutes its family of indexes ("Russell Reconstitution Day") from these calculations,¹¹ the Exchange believes it is appropriate to exclude MSCI Rebalance Days and S&P Rebalance Days from these calculations in the same manner, as such days typically have extraordinarily high and/or abnormally distributed trading volumes, which the Exchange believes is attributed to market participants who are not generally as active entering the market to rebalance their holdings in-line with these rebalances, and the Exchange believes this change to normal activity may affect an Equity Member's ability to meet the applicable volume thresholds under its volume-based tiers and incentive programs, as well as the daily quoting requirements under the NBBO Program. The Exchange notes that the proposed exclusion of MSCI Rebalance Days and S&P Rebalance Days from the relevant calculations would be applied in the same

¹¹ See Securities Exchange Act Release Nos. 93979 (January 14, 2022), 87 FR 3151 (January 20, 2022) (SR-PEARL-2022-01) (excluding the Russell Reconstitution Day from the calculation ADAV, ADV and TCV); 94926 [sic] (May 17, 2022), 87 FR 31269 (May 23, 2022) (SR-PEARL-2022-21) (excluding the Russell Reconstitution Day from the calculation of certain Market Quality Tiers of the NBBO Program).

manner that the Exchange currently excludes system disruption days, scheduled early market close days, and the Russell Reconstitution Day from such calculations. The proposed changes are based on substantively similar exclusions provided by at least one other competing equities exchange.¹²

The Exchange also proposes to relocate the following two sentences from the Definitions section to the General Notes section of the Fee Schedule:

- Routed shares are not included in the ADAV or ADV calculation.
- With prior notice to the Exchange, an Equity Member may aggregate ADAV or ADV with other Equity Members that control, are controlled by, or are under common control with such Equity Member (as evidenced on such Equity Member’s Form BD).

The Exchange does not propose to amend the text of either of the above sentences. The purpose of this change is to provide consistency and clarity within the Fee Schedule so that all notes regarding exclusions and volume aggregation are now included in the General Notes section of the Fee Schedule, while keeping definitions for defined terms solely in the Definitions section of the Fee Schedule.

Implementation

The proposed changes are effective beginning May 1, 2024.

2. Statutory Basis

¹² See MEMX LLC (“MEMX”) Equities Fee Schedule, Notes Section (“The Exchange excludes from its calculations of ADAV, ADV and TCV, and for purposes of determining qualification for the Displayed Liquidity Incentive: (1) any trading day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during regular trading hours; (2) the day that Russell Investments reconstitutes its family of indexes (i.e., the last Friday in June); (3) any day that the MSCI Equities Indexes are rebalanced (i.e., on a quarterly basis); (4) any day that the S&P 400, S&P 500, and S&P 600 Indexes are rebalanced (i.e., on a quarterly basis); and (5) any day with a scheduled early market close.”). See Securities Exchange Act Release No. 94590 (April 4, 2022), 87 FR 20892 (April 8, 2022) (SR-MEMX-2022-05 [*sic*]).

The Exchange believes that the proposal is consistent with the provisions of Section 6 of the Act,¹³ in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,¹⁴ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among its Equity Members and other persons using its facilities and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed rule changes to consolidate and relocate text regarding certain excluded trading days is reasonable and not designed to permit unfair discrimination between customers and market participants because the changes will provide greater clarity regarding the days that the Exchange excludes from its calculation of ADAV, ADV, TCV, and NBBO Set Volume for purposes of determining an Equity Member's qualification for the Exchange's transaction pricing tiers and incentives. The Exchange believes it is reasonable and not unfairly discriminatory to ensure that the Fee Schedule is clear and concise to all market participants. The Exchange also notes that these proposed changes do not alter the current method by which the Exchange excludes certain days and circumstances.

The Exchange believes that the proposed exclusion of MSCI Rebalance Days and S&P Rebalance Days from the relevant calculations is reasonable and appropriate because, as described above, MSCI Rebalance Days and S&P Rebalance Days typically have extraordinarily high and/or abnormally distributed trading volumes which, in turn, may affect an Equity Member's ability to meet the applicable volume thresholds and/or daily quoting requirements under its transaction pricing tiers/incentives, and the Exchange believes that excluding such days from the relevant calculations for purposes of determining an Equity Member's qualification for such tiers/incentives. Additionally, the Exchange believes that the proposed rule change is

¹³ 15 U.S.C. 78f.

¹⁴ 15 U.S.C. 78f(b)(4) and (5).

equitable and not unfairly discriminatory because it will apply to all Equity Members uniformly, in that each Equity Member's volume and quoting activities for purposes of pricing tiers/incentives would continue to be calculated in a uniform manner and would now exclude MSCI Rebalance Days and S&P Rebalance Days, in addition to the exclusions the Exchange currently provides.

The Exchange believes its proposal to relocate certain text from the Definitions section to the General Notes section of the Fee Schedule regarding the exclusion for routed shares from ADAV and ADV calculations and the ability of an Equity Member to aggregate certain volume is reasonable because it will provide consistency and clarity within the Fee Schedule such that all exclusions and volume aggregation notes will now be located in the General Notes section of the Fee Schedule.

For the reasons discussed above, the Exchange submits that the proposal satisfies the requirements of Sections 6(b)(4) and 6(b)(5) of the Act¹⁵ in that it provides for the equitable allocation of reasonable dues, fees and other charges among its Equity Members and other persons using its facilities and is not designed to unfairly discriminate between customers, issuers, brokers, or dealers.

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

The Exchange does not believe that the proposal will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, as described above, the proposed rule changes are designed to provide greater clarity regarding the days that the Exchange excludes from its calculation of ADAV, ADV, TCV, and NBBO Set Volume for the purpose of determining and Equity Member's qualification for the Exchange's transaction

¹⁵ 15 U.S.C. 78f(b)(4) and (5).

pricing tiers and incentives. In addition, the proposed exclusion of MSCI Rebalance Days and S&P Rebalance Days from the relevant calculations is intended to avoid affecting Equity Members' ability to meet the applicable volume thresholds and/or quoting requirements to qualify for the Exchange's transaction pricing tiers/incentives due to the abnormal trading volumes and market conditions typically experienced in the equities markets on MSCI Rebalance Days and S&P Rebalance Days.

Inter-Market Competition

The Exchange does not believe the proposal would impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the Exchange believes the proposal is not concerned with competitive issues, but rather relates to calculation methodologies applicable to its pricing tiers/incentives.

Intra-Market Competition

Additionally, the Exchange believes the proposal would not impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because, as described above, the proposal will apply to all Equity Members uniformly and in the same manner that the Exchange currently excludes system disruption days and the Russell Reconstitution Day from such calculations.

The Exchange believes its proposal to relocate certain text from the Definitions section to the General Notes section of the Fee Schedule regarding the exclusion for routed shares from ADAV and ADV calculations and the ability of an Equity Member to aggregate certain volume will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act because it will provide consistency and clarity within the Fee Schedule such that all exclusions and volume aggregation notes will now be located in the General Notes section of the Fee Schedule.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁶ and Rule 19b-4(f)(2)¹⁷ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-PEARL-2024-23 on the subject line.

¹⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷ 17 CFR 240.19b-4(f)(2).

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-2024-23. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or

withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-PEARL-2024-23 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Sherry R. Haywood,
Assistant Secretary.

¹⁸ 17 CFR 200.30-3(a)(12).