

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81119; File No. SR-PEARL-2017-31)

July 11, 2017

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend MIAX PEARL Rule 524, Reporting of Matched Trades to Clearing Corporation

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 June 28, 2017, 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 Exchange Rule 524, Reporting of Matched Trades to Clearing Corporation .

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

¹ 15 U.S.C. 78s (b)(1).

² 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Exchange Rule 524, Reporting of Matched Trades to Clearing Corporation, to adopt Interpretations and Policies .01, to state that post-trade adjustments that do not affect the contractual terms of a trade are to be performed by the Exchange Member³ via an Exchange approved electronic interface. The Exchange will notify Members of the approved electronic interface via Regulatory Circular. The Exchange notes that an identical filing has been submitted by its affiliate, MIAX Options. In order to ensure consistent operation of both MIAX PEARL and MIAX Options through having consistent rules, the Exchange proposes to amend MIAX PEARL Rule 524 as described below.

The Exchange staffs a Help Desk⁴ to provide customer service and support to its Members. One of the support functions the Help Desk currently provides is to make certain post-trade adjustments to a Member’s matched trades at the Member’s request and on its behalf. The Exchange has also developed functionality that it makes available to all Members that enables Members to electronically and independently perform post-trade adjustments that do not affect the contractual terms of the transaction to their side of the matched trade. Examples of

³ The term “Member” means an individual or organization approved to exercise the trading rights associate with a Trading Permit. Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

⁴ The term “Help Desk” means the Exchange’s control room consisting of Exchange staff authorized to make certain trading determinations on behalf of the Exchange. The Help Desk shall report to and be supervised by a senior executive officer of the Exchange. See Exchange Rule 100.

post-trade adjustments that do not affect the contractual terms of a trade include: changing the position indicator (e.g., from Open to Close or Close to Open); adding or removing Clearing Member Trade Agreement (“CMTA”) information; changing the clearing account type (e.g., Customer or Firm); and modifying the optional data field, which may be used by Members for their own internal back-office processing.

Despite the availability of functionality for Members to perform these straightforward post-trade adjustments on their own, the Help Desk still receives a significant number of requests on a daily basis to manually perform these adjustments. Processing these requests is a time consuming exercise for Exchange staff and is an inefficient use of Exchange time and resources given that Members have the ability to perform these adjustments themselves electronically via an Exchange provided interface. Accordingly, the Exchange proposes to mandate that Members perform their own post-trade adjustments which do not affect the contractual terms of a trade as discussed above, using the functionality provided by the Exchange. The Exchange notes that use of the functionality provided by the Exchange does not relieve Members of their obligations to abide by the rules of the Exchange.⁵ The Exchange also represents that it has an adequate surveillance program in place to review post-trade adjustments made by its Members.

Additionally, the Exchange has a Regulatory Services Agreement in place with the Financial Industry Regulatory Authority to monitor adjustments done directly at the Options Clearing Corporation (“OCC”) to ensure compliance with applicable Exchange rules and such Securities and Exchange Commission Trading rules related to options trading. Further, the Exchange notes that Members may make post-trade adjustments to trades executed on the Exchange directly at the OCC, as the OCC provides functionality for Members to update certain non-critical trade

⁵ Specifically, the Exchange notes that Members have an obligation to adhere to Exchange Rule 507, Must Give Up Clearing Member.

information with respect to the transaction, provided such changes are not in contravention of any rule of the Exchange on which a confirmed trade was executed.⁶

The Exchange notes that other exchanges offer similar functionality to their members for post-trade adjustments.⁷ However, these Exchanges incentivize their members to perform their own post-trade adjustments by charging a fee when the member elects to have the exchange perform the adjustment on their behalf, as opposed to mandating usage of an interface to perform post-trade adjustments such as the Exchange is proposing.

2. Statutory Basis

MIAX PEARL believes that its proposed rule change is consistent with Section 6(b) of the Act⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act⁹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that its proposal would promote just and equitable principles of trade and not unfairly discriminate between Members because the functionality to make post-trade adjustments is available to all Members. Further, the Exchange believes that its proposal

⁶ See OCC Rules, Chapter IV, Rule 401, Reporting of Confirmed Trades Effected on Exchanges.

⁷ See Securities Exchange Act Release Nos. 73585 (November 13, 2014), 79 FR 68927 (November 19, 2014) (SR-NYSEArca-2014-116); and 73542 (November 6, 2014), 79 FR 67496 (November 13, 2014) (SR-NYSEMKT-2014-87).

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

would promote a fair and orderly market and protect investors and the public interest because its proposal would result in a more efficient use of Exchange resources, which would benefit all market participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any competitive issues but rather to make more efficient use of the Exchange's employee time and resources, which may ultimately benefit Members.

The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition as the Rules apply equally to all Exchange Members.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6)¹¹ thereunder.

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-PEARL-2017-31 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-2017-31. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-PEARL-2017-31, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Jill M. Peterson
Assistant Secretary

¹² 17 CFR 200.30-3(a)(12).