SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-95679; File No. SR-PEARL-2022-34)

September 6, 2022

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate
Effectiveness of a Proposed Rule Change to Amend Exchange Rule 2614, Orders and Order
Instructions, to Adopt the Primary Peg Order Type

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 August 26, 2022 MIAX PEARL, LLC ("MIAX

Pearl" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") a

proposed rule change as described in Items I and II 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 proposed rule change to amend Exchange Rule 2614, Orders

and Order Instructions, to adopt the Primary Peg Order Type.

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

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[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.   <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>

      1.   <u>Purpose</u>

The Exchange currently offers one type of pegging order on its equity trading platform

("MIAX Pearl Equities"), the Midpoint Peg Order, which is automatically re-priced in

response to changes in the Protected Best Bid or Offer ("PBBO").[3] Exchange Rule 2614(a)(3)

sets forth the operation of the Midpoint Peg Order and, in sum, defines it as a "non-displayed

Limit Order that is assigned a working price pegged to the midpoint of the PBBO."

The Exchange now proposes to adopt a second type of pegging order, the Primary

Peg Order. In sum, a Primary Peg Order would be a Limit Order[4] that is assigned a

working price pegged to the Protected Best Bid ("PBB"),[5] for a buy order, or the Protected

Best Offer ("PBO"),[6] for a sell order. The proposed operation of the Primary Peg Order is

well established in the equity markets and is based on similar functionality offered at other

exchanges.[7]

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[3]   <u>See</u> Exchange Rule 1901 (stating "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.").

[4]   <u>See</u> Exchange Rule 2614(a)(1) (describing the operation of a Limit Order).

[5]   <u>See</u> Exchange Rule 1901, <u>supra</u> note 3.

[6]   <u>Id</u>.

[7]   <u>See</u>, <u>e.g.</u>, Cboe BYX Exchange, Inc. ("BYX") <u>and</u> Cboe BZX Exchange, Inc. ("BZX") Rules 11.9(c)(8)(a), Cboe EDGA Exchange, Inc. ("EDGA") <u>and</u> Cboe EDGX Exchange, Inc. ("EDGX", collectively with BYX, BZX, and EDGA, the "Cboe Equity Exchanges") Rules 11.6(j)(2), New York Stock Exchange LLC ("NYSE") Rule 7.31(h), NYSE Arca, Inc. ("NYSE Arca") Rule 7.31-E(h)(1), Investors Exchange, Inc. ("IEX") Rule

Some characteristics of the Primary Peg Order would be identical to the Midpoint Peg Order, such as its operation during a locked or crossed market, and each of these identical characteristics are described below. Rather than describe identical behavior separately under different rules, and to ensure its rules are concise, thorough, and easy to understand, the Exchange proposes to amend Exchange Rule 2614(a)(3) to describe "Pegged Orders" generally as a standalone order type category and describe the operation of the existing Midpoint Peg Order and proposed Primary Peg Order. The Exchange proposes to amend certain provisions of Exchange Rule 2614(a)(3) to cover identical characteristics shared by both Primary Peg and Midpoint Peg Orders.[8]

Exchange Rule 2614(a)(3) would define a Pegged Order as "an order that is automatically re-priced in response to changes in the PBBO."[9] Both the existing Midpoint Peg Order and proposed Primary Peg Order would be described under Exchange Rule 2614(a)(3)(A), which would be titled "Types of Pegged Orders". The description of the Midpoint Peg Order under current Exchange Rule 2614(a)(3) would now be under Exchange Rule 2614(a)(3)(A)(i) with one change. Exchange Rule 2614(a)(3) currently provides that "[a] Midpoint Peg Order receives a new timestamp each time its working price changes in response to changes to the midpoint of the PBBO." A Primary Peg Order

11.190(a)(3), The NASDAQ Stock Market LLC ("NASDAQ") Rule 4703(d), and MEMX LLC ("MEMX") Rule 11.6(h).

8   The Exchange notes that other exchanges have described pegged order functionality similarly within their rules and have combined the description of the various pegged order types they offer under the same rule. See, e.g., IEX Rule 11.190(a)(3), and NASDAQ Rule 4703(d). The Exchange also proposes to renumber certain provisions in Exchange Rule 2614(a)(3) as a result of this change.

9   This is consistent with similar provisions in other exchanges' rules regarding pegged orders. See, e.g., MEMX Rule 11.6(h), EDGA and EGDX Rules 11.6(j).

would also receive a new timestamp each time its working price changes in response to changes in the PBBO. Therefore, the Exchange proposes to replace this provision with a general provision under Exchange Rule 2614(a)(3) that would cover all Pegged Orders and would state, "[a] Pegged Order receives a new timestamp each time its working price changes in response to changes in the PBBO."[10]

The operation of the Primary Peg Order would be described under Exchange Rule 2614(a)(3)(A)(ii) and provide that a Primary Peg Order would be a Limit Order and include a limit price. In this case, the limit price would function like a cap on the price at which the Primary Peg Order may be pegged or executed. Exchange Rule 2614(a)(3)(A)(ii) would define a Primary Peg Order as "[a] Limit Order to buy (sell) that is assigned a working price pegged to the PBB (PBO), subject to its limit price." The Exchange proposes to not allow the working price of a Primary Peg Order to buy (sell) to be pegged to a displayed Primary Peg Order to buy (sell) resting on the MIAX Pearl Equities Book.[11] Therefore, Exchange Rule 2614(a)(3)(A)(ii) would further provide that for purposes of determining the working price of a Primary Peg Order to buy (sell), the Exchange will not take into account a displayed Primary Peg Order to buy (sell) resting on the MIAX Pearl Equities Book.

Exchange Rule 2614(a)(3)(A)(ii)(a) and (b) would further describe the operation of a Primary Peg Order's limit price. Exchange Rule 2614(a)(3)(A)(ii)(a) would provide that a Primary Peg Order to buy (sell) with a limit price that is equal to or higher (lower) than its

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[10] This is consistent with similar provisions in other exchanges' rules regarding pegged orders. See, e.g., NASDAQ Rule 4703(d), and EDGA and EGDX Rules 11.6(j).

[11] This is similar to the treatment of Pegged Orders, including Primary Peg Orders, on EDGA and EDGX. See EDGA and EDGX Rules 11.6(j)(2) (providing that "[f]or purposes of the Pegged instruction, the System's calculation of the NBBO does not take into account any orders with Pegged instructions that are resting on the EDGX Book").

pegged price will be assigned a working price equal to its pegged price and may execute up (down) to and including its pegged price subject to its limit price. Exchange Rule 2614(a)(3)(A)(ii)(a) would further provide that a Primary Peg Order to buy (sell) with a limit price that is lower (higher) than its pegged price will be assigned a working price equal to its limit price and may execute up (down) to its limit price.

Exchange Rule 2614(a)(3)(A)(ii)(b) would provide that an Aggressing Primary Peg Order[12] to buy (sell) will trade with resting orders to sell (buy) with a working price at or below (above) its working price. A resting Primary Peg Order to buy (sell) will trade at its working price against all Aggressing Orders to sell (buy) priced at or below (above) its working price.

Primary Peg Orders may be displayed or non-displayed on the MIAX Pearl Equities Book. The Exchange proposes to allow Primary Peg Orders to include an offset, which would allow a Primary Peg Order to be pegged to a price that is away from the PBB or PBO that it is pegged to. Exchange Rule 2614(a)(3)(A)(ii)(c) would provide that a User[13] may, but is not required to, select an offset equal to or greater than one minimum price variation ("MPV") for

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[12]   See Exchange Rule 1901 (stating that "[a]n 'Aggressing Order' is an order to buy (sell) that is or becomes marketable against sell (buy) interest on the MIAX 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 MIAX Pearl Equities Book, or when processing inbound messages").

[13]   See Exchange Rule 1901 (stating the "term 'User' shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Exchange Rule 2602").

the security, as defined in Exchange Rule 2612.[14] The offset would be referred to as the Primary

Offset Amount.[15]

Non-displayed would be the default behavior for a Primary Peg Order.[16] Therefore,

Exchange Rule 2614(a)(3)(A)(ii)(d) would provide that "[a] Primary Peg Order will be non-

displayed on the MIAX Pearl Equities Book, unless the User elects that the order be displayed."

Exchange Rule 2614(a)(3)(A)(ii)(d) would further provide that "[a] displayed Primary Peg Order

may be designated as Attributable." In such case, the Exchange would include the User's

Market Participant Identifier ("MPID") with the displayed Primary Peg Order or identify such

order as Retail on an Exchange proprietary data feed.[17]

The direction of the Primary Offset Amount would depend on whether the Primary Peg

Order was displayed or non-displayed. Exchange Rule 2614(a)(3)(A)(ii)(c) would, therefore,

describe the Primary Offset Amount behavior for non-displayed Primary Peg Orders and provide

that the Primary Offset Amount for a non-displayed Primary Peg Order may be above or below

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[14] Exchange Rule 2612 provides that "(a) [b]ids, offers, orders or indications of interests in securities traded on the Exchange shall not be made in an increment smaller than: (1) $0.01 if those bids, offers or indications of interests are priced equal to or greater than $1.00 per share; or (2) $0.0001 if those bids, offers or indications of interests are priced less than $1.00 per share and the security is an NMS stock pursuant to Rule 600(b)(48) of Regulation NMS and is trading on the Exchange; or (3) 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 612(b) of Regulation NMS."

[15] This is consistent with similar provisions in other exchanges' rules regarding Primary Peg Orders. See, e.g., EDGA and EDGX Rules 11.6(j)(2).

[16] This is consistent with similar provisions in other exchanges' rules regarding Primary Peg Orders. See, e.g., IEX Rule 11.190(a)(3).

[17] See Exchange Rule 2614(c)(5) (describing the term "Attributable" as "[a]n instruction to include the User's MPID with an order that is designated for display (price and size) on an Exchange proprietary data feed"). See also Exchange Rule 2626(f) (providing, in sum, that "[a] Retail Member Organization may designate a Retail Order to be identified as Retail on the Exchange's proprietary data feeds …").

the PBB or PBO that the order is pegged to. Exchange Rule 2614(a)(3)(A)(ii)(c) would also describe the Primary Offset Amount behavior for displayed Primary Peg Orders and further provide that the Primary Offset Amount for a displayed Primary Peg Order to buy (sell) must result in the working price of such order being inferior to or equal to the PBB (PBO).[18] Conversely, the Primary Offset Amount for a non-displayed order will have no such requirement and may result in the working price of a Primary Peg Order to buy (sell) being superior or better than the PBB (PBO). Lastly with regard to Primary Offset Amounts, the Exchange proposes to engage in standard rounding where the Primary Offset Amounts are not in an applicable MPV. Therefore, Exchange Rule 2614(a)(3)(A)(ii)(c) would provide that the Primary Offset Amount for an order to buy (sell) that is not in the applicable MPV for the security will be rounded down (up) to the nearest price at the applicable MPV.[19]

Re-Pricing for Regulatory Compliance

As stated above, a Primary Peg Order would be a Limit Order. Therefore, Primary Peg Orders would be subject to the same existing re-pricing processes that apply to Limit Orders to comply with certain regulatory requirements, such as Rule 610 of Regulation NMS's prohibition

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[18]   This is consistent with similar provisions in other exchange's rules regarding Primary Peg Orders. See, e.g., BYX and BYX Rules 11.9(c)(8)(a), and EDGA and EDGX Rules 11.6(j)(2).

[19]   This is consistent with similar provisions in the Exchange's Rules regarding rounding. See Exchange Rules 2614(a)(1)(I)(iv) (providing that "Limit Order Price Protection thresholds 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"); and 2618(b)(1)(C) (providing that "[t]he 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 2612, will be rounded down (up) to the nearest price at the applicable MPV"). The Exchange notes that for securities priced at or above $1.00, a Primary Offset Amount that is not in the applicable MPV for the security could result in the Primary Offset Amount being rounded to zero when zero is the nearest price at the applicable MPV.

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on locked or crossed markets, Rule 201 of Regulation SHO's price requirements, and the Limit-Up Limit-Down Plan.[20] The Exchange proposes to set forth these requirements under Exchange Rule 2614(a)(3)(A)(ii)(e) through (h) for clarity and to ensure the Exchange's Rules fully describe the operation of Primary Peg Orders.

Proposed Exchange Rule 2614(a)(3)(A)(ii)(e) would link the re-pricing of Primary Peg Orders to avoid a locked and crossed market in compliance with Rule 610 of Regulation NMS to the Exchange's Displayed Price Sliding Process described under Exchange Rule 2614(g)(1). One example of when a Primary Peg Order would be re-priced pursuant to the Exchange's Displayed Price Sliding Process is when the market is locked upon entry or becomes locked when the Primary Peg Order is resting on the MIAX Pearl Equities Book, the Exchange is not displaying an order to buy (sell) at the PBB (PBO), and the Primary Peg Order is eligible for execution during a locked market. In this scenario, a Primary Peg Order to buy (sell) would normally be pegged to the PBB (PBO) of an away market that is displaying an order at the locking price. However, the Exchange would not peg the Primary Peg Order to its pegged price as that would result in the Primary Peg Order joining the locked market. The order would instead be re-priced pursuant to the Exchange's Displayed Price Sliding Process.

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[20]   This is consistent with similar provisions in other exchanges' rules regarding Primary Peg Orders. See, e.g., NASDAQ's Price to Comply Order, Price To Display Order, Non-Displayed Order, and Post Only Order under NASDAQ Rule 4702, all of which may include a Primary Pegging instruction and require that the order be re-priced in compliance with Rule 610 of Regulation NMS or to avoid a non-displayed internally crossed book. See also NASDAQ Rule 4702 (providing that "[a]ll Orders are also subject to cancellation and/or repricing and reentry onto the NASDAQ Book in the circumstances described in Rule 4120(a)(12) (providing for compliance with Plan to Address Extraordinary Market Volatility) and Rule 4763 (providing for compliance with Regulation SHO)"). See, e.g., EDGA and EDGX Rules 11.6(j)(2) (providing that when their book "is crossed by another market, an order with a Primary Peg instruction will be automatically adjusted to the current NBO (for bids) or the current NBB (for offers)").

The re-pricing would be identical to that for Limit Orders with two differences.[21]

Exchange Rule 2614(g)(1)(A) provides that "[t]he 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." Primary Peg Orders that are re-priced pursuant to the Display Price Sliding Process would have their working and displayed prices adjusted multiple times in response to changes to the PBBO. The Exchange believes this behavior is appropriate given that Primary Peg Orders by their nature are to be re-priced multiple times. Specifically, a Primary Peg Order to buy (sell) would have its working price adjusted each time there is a change to the PBB (PBO) when not being re-priced pursuant to the Display Price Sliding Process. Unlike for Limit Orders, the Exchange does not propose to allow Users to instruct the Exchange to cancel their orders if the order is to be re-priced pursuant to the Displayed Price Sliding Process because such orders are not eligible for execution when the market is crossed and, when elected by the User, not eligible for execution when the market is locked. A User may cancel their order at any time, including when the market is locked or crossed. The Exchange also believes these differences are consistent with Equity Members'[22] expectations and with the operation of Primary Peg Orders that are to be continuously re-priced in response to changes in the PBBO. The Exchange also understands Equity Members are likely not to elect automatic cancellation. These differences are also consistent with the treatment of Primary Peg Orders on other equity exchanges.[23] To codify this behavior, proposed Exchange

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[21]   See Exchange Rule 2614(a)(1)(E).

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

[23]   See, e.g., EDGX Rule 11.6(j)(2) (providing for re-pricing each time the price of the Primary Peg Order locks or crosses an away market and not including a provision allowing for the automatic cancellation of a Primary Peg Order when it is to be re-priced). This is consistent with similar provisions in other exchanges' rules regarding

Rule 2614(a)(3)(A)(ii)(e) would provide that "[a] Primary Peg Order to buy (sell) that, if displayed at its pegged price on the MIAX Pearl Equities Book, would lock or cross the PBO (PBB) of an away Trading Center will be re-priced multiple times pursuant to the Display Price Sliding Process."

Next, proposed Exchange Rule 2614(a)(3)(A)(ii)(f) would link the re-pricing of Primary Peg Orders to the Exchange's Short Sale Price Sliding Process designed to comply with Rule 201 of Regulation SHO described under Exchange Rule 2614(g)(3) during a time when a short sale price test restriction under Rule 201 of Regulation SHO is in effect ("Short Sale Period"). An example of when a displayed Primary Peg Order would be re-priced pursuant to the Exchange's Short Sale Price Sliding Process upon entry[24] is when the market is locked and the Primary Peg Order is eligible for execution during a locked market and its pegged price would result in its being executed or displayed at a price equal to the PBB. Another example of when a Primary Peg Order would be re-priced pursuant to the Exchange's Short Sale Price Sliding Process when resting on the MIAX Pearl Equities Book is when the Primary Peg Order to sell is non-displayed and includes a Primary Offset Amount that would result in its being executable at a price equal to or below the PBB. The re-pricing would be identical to that for Limit Orders

Primary Peg Orders. See also, e.g., NASDAQ's Price to Comply Order which may include a Primary Pegging instruction under NASDAQ Rule 4702(b)(1)(B) (providing that "[i]f the entered limit price of the Price to Comply Order locked or crossed a Protected Quotation and the NBBO changes, the displayed and non-displayed price of the Price to Comply Order will be adjusted repeatedly in accordance with changes to the NBBO").

24   A displayed Primary Peg Order resting on the MIAX Pearl Equities Book would stand its ground and not be re-priced pursuant to the Exchange's Short Sale Price Sliding Process if the PBB changes so that it would be priced below the PBB. See Exchange Rule 2614(g)(3)(C) (providing that "[d]uring 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 National Best Bid").

with one difference.[25] Unlike for Limit Orders, the Exchange does not propose to allow Users to instruct the Exchange to cancel their orders if the order is to be re-priced pursuant to the Short Sale Price Sliding Process. The Exchange believes this difference is consistent with Equity Members' expectations and with the operation of Primary Peg Orders that are to be continuously re-priced in response to changes in the PBBO. The Exchange also understands Equity Members are likely not to elect automatic cancellation. It is also consistent with the proposed treatment of Primary Peg Orders that are to be re-priced pursuant to the Displayed Price Sliding Process described above. The Exchange notes that a User may cancel their order at any time, including during a Short Sale Period. Proposed Exchange Rule 2614(a)(3)(A)(ii)(f) would provide that "[d]uring a Short Sale Period, as defined in Exchange Rule 2614(g)(3)(A), a Primary Peg Order to sell that is designated as short and cannot be executed or displayed on the MIAX Pearl Equities Book at its pegged price pursuant to Rule 201 of Regulation SHO will be re-priced multiple times to a Permitted Price, as defined in Exchange Rule 2614(g)(3)(A), pursuant to the Short Sale Price Sliding Process."

Next, proposed Exchange Rule 2614(a)(3)(A)(ii)(g) would link the re-pricing of non-displayed Primary Peg Orders to the Exchange's Non-Displayed Price Sliding Process described under Exchange Rule 2614(g)(2). An example of when a Primary Peg Order would be re-priced pursuant to the Exchange's Non-Displayed Price Sliding Process is when a non-displayed Primary Peg Order to buy (sell) contains a Primary Offset Amount that would result in the Primary Peg Order crossing a displayed sell (buy) order of an away market. In such case, the Primary Peg Order would be re-priced to the locking price. The re-pricing would be identical to

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[25]   See Exchange Rule 2614(a)(1)(F).

that for non-displayed Limit Orders with no differences.[26] Proposed Exchange Rule 2614(a)(3)(A)(ii)(g) would provide that "[a] non-displayed Primary Peg Order to buy (sell) that, if posted to the MIAX 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."

Lastly with regard to re-pricing, proposed Exchange Rule 2614(a)(3)(A)(ii)(h) would link the re-pricing of Primary Peg Orders to the Exchange's re-pricing to comply with the Limit-Up Limit-Down Plan described under Exchange Rule 2622(h). The re-pricing would be identical to that for Limit Orders with one difference.[27] Unlike for Limit Orders, the Exchange does not propose to allow Users to instruct the Exchange to cancel their orders if the order is to be re-priced pursuant to Exchange Rule 2622(h). The Exchange believes this difference is consistent with Equity Members' expectations and with the operation of Primary Peg Orders that are to be continuously re-priced in response to changes in the PBBO. The Exchange also understands Equity Members are likely not to elect automatic cancellation. It is also consistent with the proposed treatment of Primary Peg Orders that are to be re-priced pursuant to the Displayed Price Sliding and Short Sale Price Sliding Processes described above. The Exchange notes that a User may cancel their order at any time, including when the order is re-priced pursuant to Exchange Rule 2622(h). Proposed Exchange Rule 2614(a)(3)(A)(ii)(h) would provide that "[a] Primary Peg Order to buy (sell) that is priced above (below) the Upper (Lower) Price Band shall be re-priced pursuant to Exchange Rule 2622(h)."

Other Proposed Changes to Exchange Rules 2614(a)(3)

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26 See Exchange Rule 2614(a)(1)(G). The Exchange notes that Exchange Rule 2614(a)(1)(G) does not provide that the User may affirmatively elect to cancel their order where it is to be re-priced pursuant to the Non-Displayed Price Sliding Process.

27 See Exchange Rule 2614(a)(1)(H).

The Exchange also proposes a series of changes to Exchange Rules 2614(a)(3)(C) through (F) that apply to Midpoint Peg Orders to include proposed behavior for Primary Peg Orders that would be similar or identical to that of Midpoint Peg Orders and, where appropriate, to apply to Pegged Orders generally. The Exchange also proposes to renumber these paragraphs due to the proposal to describe both Primary Peg Orders and Midpoint Peg Orders under the same rule.

Exchange Rule 2614(a)(3)(C) currently discusses the handling of Midpoint Peg Orders when the PBB and/or PBO is unavailable and when the PBBO is locked or crossed. Primary Peg Orders would be treated similarly when the PBB and/or PBO is unavailable and when the PBBO is locked or crossed. Therefore, the Exchange proposes to amend Exchange Rule 2614(a)(3)(C) to also cover Primary Peg Orders as follows. First, Exchange Rule 2614(a)(3)(C) currently provides that a Midpoint Peg Order will be accepted but will not be eligible for execution when the PBB and/or PBO is not available.[28] Similarly, the Exchange proposes to amend Exchange Rule 2614(a)(3)(C) to further provide that a Primary Peg Order will be accepted but will not be eligible for execution when the PBB or PBO it is pegged to is not available.[29]

Next, Exchange Rule 2614(a)(3)(C) currently provides that a Midpoint Peg Order will be accepted but will not be eligible for execution when the PBBO is crossed and, if instructed by the User, when the PBBO is locked. This would also be true for Primary Peg Orders. Therefore, the Exchange proposes to amend this portion of Exchange Rule 2614(a)(3)(C) to apply to Pegged Orders generally, which would include both Midpoint Peg and Primary Peg Orders, and provide

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[28]   A Primary Peg Order to buy (sell) with a time-in-force of IOC will be cancelled if received during a time when the PBB (PBO) is not available.

[29]   This is consistent with similar provisions in other exchanges' rules regarding Primary Peg Orders. See, e.g., EDGA and EDGX Rules 11.6(j)(2).

that all Pegged Orders will be accepted but will not be eligible for execution when the PBBO is crossed, and, if instructed by the User, when the PBBO is locked.

Next, Exchange Rule 2614(a)(3)(C) currently provides a Midpoint Peg Order that is eligible for execution when the PBBO is locked will be executable at the locking price. This would also be true for Primary Peg Orders that are eligible for execution during a locked market. Therefore, the Exchange proposes to amend this portion of Exchange Rule 2614(a)(3)(C) to apply to Pegged Orders generally by replacing "Midpoint Peg Orders" with "Pegged Orders."

Next, Exchange Rule 2614(a)(3)(C) currently provides 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[30] or uncrosses and a new midpoint of the PBBO is established. This would also be true for Primary Peg Orders, other than the requirement that a new midpoint of the PBBO be established following when the market unlocks or uncrosses because this requirement is unique to the operation of Midpoint Peg Orders whose working price is pegged to the midpoint of the PBBO. Therefore, the Exchange proposes to amend this portion of Exchange Rule 2614(a)(3)(C) to apply to Pegged Orders generally by replacing "Midpoint Peg Orders" with "Pegged Orders" and retain the requirement for Midpoint Peg Orders to provide that a Pegged Order will become eligible for execution and receive a new timestamp when the PBBO or [sic] uncrosses and to further specify when a Pegged Order would receive a new timestamp. Exchange Rule 2614(a)(3)(C) would specify that a Pegged Order that was not eligible for execution during a locked market will become eligible for execution and receive a

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30   This would apply to a Midpoint Peg Order and Primary Peg Order that the User elects not be eligible for execution when the PBBO is locked.

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new timestamp when the PBBO unlocks. [31] Exchange Rule 2614(a)(3)(C) would further specify

that a Primary Peg Order will become eligible for execution and receive a new timestamp when

the PBB or PBO it is pegged to becomes available and that a Midpoint Peg Order will become

eligible for execution and receive a new timestamp when a new midpoint of the PBBO is

established.

Lastly, Exchange Rule 2614(a)(3)(C) further provides that in such case, pursuant to

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 in this subparagraph (C). Again, the same would be true for Primary

Peg Orders. Therefore, the Exchange proposes to amend this portion of Exchange Rule

2614(a)(3)(C) to apply to Pegged Orders generally by replacing "Midpoint Peg Orders" with

"Pegged Orders" and to specify that this provision would apply to each of the scenarios set forth

in the preceding paragraph. The Exchange also proposes to renumber Exchange Rule

2614(a)(3)(C) as Exchange Rule 2614(a)(3)(B) and update a cross-reference within this

paragraph.

Exchange Rule 2614(a)(3)(D) sets forth which time-in-force instructions may be included

for a Midpoint Peg Order. Specifically, Exchange Rule 2614(a)(3)(D) provides that Midpoint

Peg Order may include a time-in-force of Immediate-or-Cancel ("IOC")[32] or Regular Hours Only

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[31]   The Exchange notes that a Primary Peg Order that is eligible for execution when the
         PBBO is locked will not receive a new timestamp.

[32]   See Exchange Rule 2614(b)(1) (describing IOC as "[a]n order that is 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
         MIAX Pearl Equities Book").

("RHO")[33] and that a Midpoint Peg Order with a time-in-force of RHO is eligible to participate

in the Opening Process under Exchange Rule 2615. Exchange Rule 2614(a)(3)(D) further

provides that a Midpoint Peg Order is eligible to participate in the Regular Trading Session.

Each of these above provisions would be true for Primary Peg Orders.[34] Therefore, the

Exchange proposes to amend Exchange Rule 2614(a)(3)(D) to apply to Pegged Orders generally

by replacing "Midpoint Peg Orders" with "Pegged Orders." The Exchange also proposes to

renumber Exchange Rule 2614(a)(3)(D) as Exchange Rule 2614(a)(3)(C).

Exchange Rule 2614(a)(3)(E) provides that a Midpoint Peg Order may be entered as an

odd lot, round lot, or mixed lot. Again, the same would be true for Primary Peg Orders.

Therefore, the Exchange proposes to amend this portion of Exchange Rule 2614(a)(3)(E) to

apply to Pegged Orders generally by replacing "Midpoint Peg Orders" with "Pegged Orders."

Exchange Rule 2614(a)(3)(E) further provides that a Midpoint Peg Order may include a

Minimum Execution Quantity[35] instruction. Midpoint Peg Orders are non-displayed and the

Minimum Execution Quantity instruction is only available to non-displayed orders. The

Minimum Execution Quantity instruction would, likewise, be available to a non-displayed

Primary Peg Order. Therefore, the Exchange proposes to amend this portion of Exchange Rule

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[33]   See Exchange Rule 2614(b)(2) (describing RHO as "[a]n order that is designated for execution only during Regular Trading Hours, which includes the Opening Process for equity securities").

[34]   A Primary Peg Order would be treated like a Limit Order during the Opening Process and would be executable at the midpoint of the PBBO subject to its limit price. Primary Peg Orders with a time-in-force of RHO and a Post Only or Minimum Execution Quantity instruction would not be eligible to participate in the Opening Process. See Exchange Rule 2615(a)(1).

[35]   See Exchange Rule 2614(c)(11) (describing Minimum Execution Quantity as "[a]n instruction a User may attach to a non-displayed order requiring the System to execute the order only to the extent that a minimum quantity can be satisfied").

2614(a)(3)(E) to apply to non-displayed Pegged Orders generally by replacing "Midpoint Peg Orders" with "non-displayed Pegged Orders", which would include both Midpoint Peg and non-displayed Primary Peg Orders. The Exchange also proposes to renumber Exchange Rule 2614(a)(3)(E) as Exchange Rule 2614(a)(3)(D).

Finally, Exchange Rule 2614(a)(3)(F) provides that Midpoint Peg Orders are not eligible for routing pursuant to Exchange Rule 2617(b) and Midpoint Peg Orders may be designated as Post Only. Again, both would be true for Primary Peg Orders. Therefore, the Exchange proposes to amend Exchange Rule 2614(a)(3)(F) to apply to Pegged Orders generally by replacing "Midpoint Peg Orders" with "Pegged Orders." The Exchange also proposes to renumber Exchange Rule 2614(a)(3)(F) as Exchange Rule 2614(a)(3)(E).

Priority

MIAX Pearl Equities provides a price/time priority execution model under which all non-marketable orders resting on the MIAX Pearl Equities Book are ranked and maintained based in following manner: (1) price; (2) priority category; (3) time; and (4) ranking restrictions applicable to an order or modifier condition. As such, trading interest within a priority category is executed in price/time priority, meaning all trading interest at the best price level within a priority category is executed in time sequence before executing trading interest within the next priority category. The Exchange maintains two priority categories, displayed and non-displayed orders, where a displayed Limit Order at its displayed price has priority over a non-displayed Limit Order at that same price. As discussed above, Primary Peg Orders would be Limit Orders and, therefore, subject to the same priority treatment. A displayed Primary Peg Order would be provided displayed priority pursuant to Exchange Rule 2616(a)(2)(A)(i) and a non-displayed Primary Peg Order would be provided non-displayed priority pursuant to Exchange Rule

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2616(a)(2)(A)(ii). The Exchange does not propose to make any changes to Exchange Rule 2616 regarding the priority of displayed and non-displayed orders and simply seeks to provide clarity in this proposal regarding the priority treatment of Primary Peg Orders.

Implementation

Due to the technological changes associated with this proposed change, the Exchange will issue a trading alert publicly announcing the implementation date of this proposed rule change. The Exchange anticipates that the implementation date will be in either the fourth quarter of 2022 or first quarter of 2023.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,[36] in general, and furthers the objectives of Section 6(b)(5),[37] in particular, because 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 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. The proposed rule change would remove impediments to and promote just and equitable principles of trade because it would provide market participants with optional functionality that would provide them with better control over their orders. The proposed Primary Peg Order would allow Equity Members to rest passively on the MIAX Pearl Equities Book at or near the same-side of the PBBO and remain available to execute against an incoming order seeking to cross the spread and execute at

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[36]   15 U.S.C. 78f(b).

[37]   15 U.S.C. 78f(b)(5).

prices equal to or more aggressive (from the taker's perspective) than such quote. The proposed Primary Peg Order would also provide price improvement opportunities to incoming orders where the Primary Peg Order is non-displayed and included a Primary Offset Amount superior to the PBB or PBO it is pegged to. The Exchange believes that adding a Primary Peg Order would incentivize Equity Members and their customers to post more passive resting liquidity on the Exchange that is priced to execute at or near the primary quote, and consequently may result in greater execution opportunities at the far side quote for Equity Members entering spread crossing orders. Therefore, the Exchange believes the proposal promotes just and equitable principles of trade, removes impediments to and perfect the mechanism of a free and open market and a national market system.

Because the Exchange does not have this functionality, the Exchange believes that market participants have avoided sending order flow to the Exchange in favor of other equity exchanges that provide Primary Peg Order functionality. In this regard, the Exchange notes that the proposed new optional Primary Peg Order may improve the Exchange's market by attracting more order flow. Such new order flow will further enhance the depth and liquidity on the Exchange, which supports just and equitable principles of trade and benefits all market participants. Furthermore, the proposed Primary Peg Order is consistent with providing market participants with greater flexibility over their orders so that they may achieve their trading goals and improve the quality of their executions.

Lastly, the Exchange believes its proposal promotes just and equitable principles of trade because the proposed operation of the Primary Peg Order presents no new or novel issues because this order type is well established in the equity markets and its proposed operation is

based on the same order type offered by other exchanges.[38] The Exchange does not propose to include any unique functionality as part of its proposed Primary Peg Order. For example, the Exchange does not propose any unique priority treatment for Primary Peg Orders as they are considered Limit Orders and will be provided the same priority treatment under existing Exchange Rule 2616(a). As described throughout the proposal, all portions of the proposed rule text are based on existing Exchange Rules regarding Midpoint Peg Orders and the rules of other equity exchanges. To the extent the Exchange proposes to include a provision that is not included in another equity exchanges' rules, it proposes to do so simply to align the behavior with the existing Midpoint Peg Order handling or to provide additional transparency while not deviating from functionality offered by other equity exchanges, but perhaps not fully described in their rules. Therefore, the Exchange believes the proposed rule change is consistent with the Act.

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. In fact, the Exchange believes that the proposal may have a positive effect on competition because it will enable the Exchange to offer functionality substantially similar to that offered by the Cboe Equity Exchanges, the NYSE Exchanges, NASDAQ, MEMX, and IEX.[39] As noted above, the Exchange believes its lack of this functionality has put it at a competitive disadvantage as market participants have avoided sending passively priced resting orders to the Exchange. This proposal is designed to allow the Exchange to directly compete with other exchanges that offer similar

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[38]   See supra note 7.

[39]   Id.

Primary Peg Order functionality. The Exchange believes that its proposal promotes competition because it is designed to attract liquidity to the Exchange by incentivizing Equity Members and their customers to post more passive resting liquidity on the Exchange that is priced to execute at the primary quote, and consequently may result in greater execution opportunities at the far side quote for Equity Members entering spread crossing orders. The proposed Primary Peg Order would have no unfair impact on intra-market competition because it would be available to all Equity Members equally.

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

Written comments were neither solicited nor received.

III.   <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

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 Act[40] and Rule 19b-4(f)(6)[41] 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

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[40]   15 U.S.C. 78s(b)(3)(A).

[41]   17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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.

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the

Commission shall institute proceedings to determine whether the proposed rule should be

approved or disapproved.

IV.   Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning

the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an email to rule-comments@sec.gov. Please include File Number SR-PEARL-2022-
  34 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-2022-34. 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. 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-2022-34 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.[42]

J. Matthew DeLesDernier

Deputy Secretary

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[42]   17 CFR 200.30-3(a)(12).