

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-90449; File No. SR-PEARL-2020-25)

November 18, 2020

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

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 November 5, 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 is filing a proposal to amend the MIAX PEARL Fee Schedule (the “Fee Schedule”) to increase the number of additional Limited Service MIAX Express Order Interface (“MEO”) Ports available to Members.³ The Exchange does not propose to amend the fees for additional Limited Service MEO Ports.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of these Rules for purposes of trading on the Exchange as an “Electronic Exchange Member” or “Market Maker.” Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend the Fee Schedule to offer two (2) additional Limited Service MEO Ports to Members. The Exchange does not propose to amend the fees charged for the additional Limited Service MEO Ports.

The Exchange initially filed the proposal to increase the number of Limited Service MEO Ports available to Members on June 30, 2020, with no change to the actual fee amounts being charged.⁴ The First Proposed Rule Change was published for comment in the Federal Register on July 20, 2020.⁵ The Exchange notes that the First Proposed Rule Change did not receive any comment letters. Nonetheless, the Exchange withdrew the First Proposed Rule Change on August 24, 2020.⁶ On August 25, 2020, the Exchange refiled its proposal to increase the number of Limited Service MEO Ports available to Members (without increasing the actual fee amounts)

⁴ See Securities Exchange Act Release No. 89316 (July 14, 2020), 85 FR 43898 (July 20, 2020) (SR-PEARL-2020-09) (the “First Proposed Rule Change”).

⁵ Id.

⁶ See Comment Letter from Christopher Solgan, VP, Senior Counsel, the Exchange, dated August 24, 2020, notifying the Commission that the Exchange will withdraw the First Proposed Rule Change.

to provide further clarification regarding the Exchange’s annual cost for providing additional Limited Service MEO Ports.⁷ The Second Proposed Rule Change was published for comment in the Federal Register on September 11, 2020.⁸ Like the First Proposed Rule Change, the Second Proposed Rule Change did not receive any comment letters. Nonetheless, the Exchange withdrew the Second Proposed Rule Change on October 23, 2020⁹ and submitted SR-PEARL-2020-21 (“Third Proposed Rule Change”). On October 26, 2020, the Exchange withdrew the Third Proposed Rule Change and submitted SR-PEARL-2020-22 (“Fourth Proposed Rule Change”). The Fourth Proposed Rule Change to increase the number of additional Limited Service MEO Ports available to Members (without increasing the actual fee amounts) provides additional information regarding the Exchange’s revenues, costs, and profitability for the two additional Limited Service MEO Ports. This additional analysis includes information regarding the Exchange’s methodology for determining the costs and revenues for the two additional Limited Service MEO Ports.

On November 5, 2020, the Exchange withdrew the Fourth Proposed Rule Change and submitted this filing to increase the number of additional Limited Service MEO Ports available to Members (without increasing the actual fee amounts) to provide further clarification regarding the Exchange’s cost analysis for the two additional Limited Service MEO Ports.

⁷ See Securities Exchange Act Release No. 89774 (September 4, 2020), 85 FR 56281 (September 11, 2020) (SR-PEARL-2020-12) (the “Second Proposed Rule Change”).

⁸ Id.

⁹ See Comment Letter from Christopher Solgan, VP, Senior Counsel, the Exchange, dated October 19, 2020, notifying the Commission that the Exchange would withdraw the Second Proposed Rule Change.

The Exchange currently offers different options of MEO Ports depending on the services required by an Exchange Member, including a Full Service MEO Port-Bulk,¹⁰ a Full Service MEO Port-Single,¹¹ and a Limited Service MEO Port.¹² Currently, a Member may be allocated two (2) Full-Service MEO Ports of either type, Bulk and/or Single, per Matching Engine, and up to eight (8) Limited Service MEO Ports, per Matching Engine. The two (2) Full-Service MEO Ports that may be allocated per Matching Engine to a Member currently may consist of: (a) two (2) Full Service MEO Ports – Bulk; or (b) two (2) Full Service MEO Ports – Single. The Exchange also has a third option, option (c), which permits a Member to have one (1) Full Service MEO Port – Bulk, and one (1) Full Service MEO Port – Single.

The Exchange currently provides Members the first two (2) requested Limited Service MEO Ports free of charge and charges \$200 per month for Limited Service MEO Ports three (3) and four (4), \$300 per month for Limited Service MEO Ports five (5) and six (6), and \$400 per month for Limited Service MEO Ports seven (7) and eight (8). These fees have been unchanged since they were adopted in 2018.¹³

The Exchange originally added the Limited Service MEO Ports to enhance the MEO Port connectivity made available to Members. Limited Service MEO Ports have been well received

¹⁰ “Full Service MEO Port -- Bulk” means an MEO port that supports all MEO input message types and binary bulk order entry. See the Definitions Section of the Fee Schedule.

¹¹ “Full Service MEO Port – Single” means an MEO port that supports all MEO input message types and binary order entry on a single order-by-order basis, but not bulk orders. See the Definitions Section of the Fee Schedule.

¹² “Limited Service MEO Port” means an MEO port that supports all MEO input message types, but does not support bulk order entry and only supports limited order types, as specified by the Exchange via Regulatory Circular. See the Definitions Section of the Fee Schedule.

¹³ See Securities Exchange Act Release No. 83867 (March 13, 2018), 83 FR 12044 (March 19, 2018) (SR-PEARL-2018-07).

by Members since their addition. The Exchange now proposes to offer to Members the ability to purchase an additional two (2) Limited Service MEO Ports per matching engine over and above the current six (6) additional Limited Service MEO Ports per matching engine that are available for purchase by Members. The Exchange proposes making a corresponding change to the text in the Port Fee table and to the text below the Port Fee table in Section 5)d) of the Fee Schedule to specify that Members will now be limited to purchasing eight (8) additional Limited Service MEO Ports per matching engine, for a total of ten (10) per matching engine. All fees related to MEO Ports shall remain unchanged and Members that voluntarily purchase the additional ninth or tenth Limited Service MEO Ports will be subject to the existing \$400 monthly fee per port that is charged to Members that request a seventh or eighth Limited Service MEO Port.

The Exchange is increasing the number of additional Limited Service MEO Ports because the Exchange is expanding its network. This network expansion is necessary due to increased customer demand and increased volatility in the marketplace, both of which have translated into increased message traffic rates across the network. Consequently, this network expansion, which increases the number of switches supporting customer facing systems, is necessary in order to provide sufficient access to new and existing Members, to maintain a sufficient amount of network capacity head-room, and to continue to provide the same level of service across the Exchange's low-latency, high-throughput technology environment.

Currently, the Exchange has 8 network switches that support the entire customer base of MIAX PEARL. The Exchange plans to increase this to 10 switches, which will increase the number of available customer ports by 25%. This increase in the number of available customer ports will enable the Exchange to continue to provide sufficient and equal access to the MIAX PEARL System to all Members. Absent the proposed increase in available MEO Ports, the

Exchange projects that its current inventory will be depleted and it will lack sufficient capacity to continue to meet Members' access needs.

2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁵ in that it is designed to promote just and equitable principles of trade, 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 is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

The Exchange believes that its proposal is consistent with the objectives of Section 6(b)(5) of the Act¹⁶ because the proposed additional Limited Service MEO Ports will be available to all Members and the current fees for the additional Limited Service MEO Ports apply equally to all Members regardless of type, and access to the Exchange is offered on terms that are not unfairly discriminatory. The Exchange is proposing to increase the number of available Limited Service MEO Ports because the Exchange is expanding its network. This network expansion is necessary due to increased customer demand and increased volatility in the marketplace, both of which have translated into increased message traffic rates across the network. Consequently, this network expansion, which increases the number of switches supporting customer facing systems, is necessary in order to provide sufficient and equal access to new and existing Members, to maintain a sufficient amount of network capacity head-room,

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ 15 U.S.C. 78f(b)(5).

and to continue to provide the same level of service across the Exchange's low-latency, high-throughput technology environment.

Currently, the Exchange has 8 network switches that support the entire customer base of MIAX PEARL. The Exchange plans to increase this to 10 switches, which will increase the number of available customer ports by 25%. This increase in the number of available customer ports will enable the Exchange to continue to provide sufficient and equal access to MIAX PEARL Systems for all Members. Absent the proposed increase in available MEO Ports, the Exchange projects that its current inventory will be depleted and it will lack sufficient capacity to continue to meet Members' access needs. Further, the Exchange notes that decision of whether to purchase two additional Limited Service MEO Ports is completely optional and it is a business decision for each Member to determine whether the additional Limited Service MEO Ports are necessary to meet their business requirements.

The Exchange further believes that the availability of the additional Limited Service MEO Ports is equitable and not unfairly discriminatory because it will enable Members to maintain uninterrupted access to the MIAX PEARL System and consequently enhance the marketplace by helping Members to better manage risk, thus preserving the integrity of the MIAX markets, all to the benefit of and protection of investors and the public as a whole.

The Exchange also believes that its proposal is consistent with Section 6(b)(4) of the Act because only Members that voluntarily purchase the two additional Limited Service MEO Ports will be charged the existing \$400 monthly fee per port applicable to ports seven (7) and eight (8), which has been unchanged since adopted 2018.¹⁷ The Exchange does not propose to amend the fees applicable to additional Limited Service MEO Ports which have been previously filed with

¹⁷ See supra note 13.

the Commission and become effective after notice and public comment.¹⁸ As stated above, the Exchange proposes to expand its network by making available two additional Limited Service MEO Ports due to increased customer demand and increased volatility in the marketplace, both of which have translated into increased message traffic rates across the network. The cost to expand the network in this manner is greater than the revenue the Exchange anticipates the additional Limited Service MEO Ports will generate. Specifically, the Exchange estimates it will incur a one-time cost of approximately \$175,000 in capital expenditures on hardware, software, and other items to expand the network to make available the two additional Limited Service MEO Ports. This estimated cost also includes expense associated with providing the necessary engineering and support personnel to transition those Members who wish to acquire the two additional Limited Service MEO Ports.

The Exchange projects that approximately six to seven Members will purchase the additional Limited Service MEO Ports, which will be subject to the existing monthly fee of \$400 per port applicable to ports seven (7) and eight (8). Accordingly, the Exchange projects that the annualized revenue from the two additional Limited Service MEO Ports will be approximately \$67,200 (assuming seven Members purchase the two additional Limited Service MEO Ports). Therefore, the Exchange's upfront cost in expanding its network to provide its Members with the two additional Limited Service MEO Ports – approximately \$175,000 – is significant relative to the anticipated annualized revenue the Exchange expects to bring in from the two additional Limited Service MEO Ports – approximately \$67,200. Further, the Exchange anticipates it will incur approximately \$77,712 in annualized ongoing operating expense in order to support the expanded network and the two additional Limited Service MEO Ports. Thus, even excluding the

¹⁸ Id.

upfront CapEx expense of \$175,000, the Exchange is not generating a supra-competitive profit from the provision of these two additional Limited Service MEO Ports. In fact, even excluding the one-time CapEx expense \$175,000, the Exchange anticipates generating an annual loss from the provision of these two additional Limited Service MEO Ports of (\$10,512) – that is, \$67,200 in revenue minus \$77,712 in expense equates to a loss of (\$10,512) to support the additional ports annually.

The Exchange conducted an extensive cost review in which the Exchange analyzed every expense item in the Exchange’s general expense ledger (this includes over 150 separate and distinct expense items) to determine whether each such expense relates to the additional Limited Service MEO Ports, and, if such expense did so relate, what portion (or percentage) of such expense actually supports the additional Limited Service MEO Ports, and thus bears a relationship that is, “in nature and closeness,” directly related to those services. The sum of all such portions of expenses represents the total cost of the Exchange to provide services associated with the two additional Limited Service MEO Ports.

Specifically, utilizing 2019 expense figures,¹⁹ total third-party expense, relating to fees paid by the Exchange to third-parties for certain products and services for the Exchange to be able to provide the two additional Limited Service MEO Ports, was approximately \$10,701. This includes, but is not limited to, a portion of the fees paid to: (1) Equinix, for data center services, for the primary, secondary, and disaster recovery locations of the Exchange’s trading system infrastructure; (2) Zayo Group Holdings, Inc. (“Zayo”) for network services (fiber and bandwidth products and services) linking the Exchange’s office locations in Princeton, NJ and

¹⁹ The Exchange notes that the total 2019 expense figures for each of the external and internal expenses described herein relate only to the Exchange’s options market. No expense relating to the Exchange’s equities market is included in this filing.

Miami, FL to all data center locations; (3) Secure Financial Transaction Infrastructure (“SFTI”)²⁰, which supports network feeds for the entire U.S. options industry; (4) various other services providers (including Thompson Reuters, NYSE, Nasdaq, and Internap), which provide content, network services, and infrastructure services for critical components of options network services; and (5) various other hardware and software providers (including Dell and Cisco, which support the production environment in which Members and non-Members connect to the network to trade, receive market data, etc.).

For clarity, only a portion of all fees paid to such third-parties is included in the third-party expense herein, and no expense amount is allocated twice. Accordingly, the Exchange does not allocate its entire information technology and communication costs to the services associated with providing the two additional Limited Service MEO Ports.

The Exchange believes it is reasonable to allocate such third-party expense described above towards the total cost to the Exchange to provide the services associated with the two additional Limited Service MEO Ports. In particular, the Exchange believes it is reasonable to allocate the identified portion of the Equinix expense because Equinix operates the data centers (primary, secondary, and disaster recovery) that host the Exchange’s network infrastructure. This includes, among other things, the necessary storage space, which continues to expand and increase in cost, power to operate the network infrastructure, and cooling apparatuses to ensure the Exchange’s network infrastructure maintains stability. Without these services from

²⁰ In fact, on October 22, 2019, the Exchange was notified by SFTI that it is again raising its fees charged to the Exchange by approximately 11%, without having to show that such fee change complies with the Act by being reasonable, equitably allocated, and not unfairly discriminatory. It is unfathomable to the Exchange that, given the critical nature of the infrastructure services provided by SFTI, that its fees are not required to be rule-filed with the Commission pursuant to Section 19(b)(1) of the Act and Rule 19b-4 thereunder. See 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4, respectively.

Equinix, the Exchange would not be able to operate and support the network and provide the services associated with the two additional Limited Service MEO Ports to its Members and non-Members and their customers. The Exchange did not allocate all of the Equinix expense toward the cost of providing the services associated with the two additional Limited Service MEO Ports, only that portion which the Exchange identified as being specifically mapped to providing the services associated with the two additional Limited Service MEO Ports, approximately 0.5% of the total Equinix expense. The Exchange believes this allocation is reasonable because it represents the Exchange's actual cost to provide the services associated with the two additional Limited Service MEO Ports, and not any other service, as supported by its cost review.

The Exchange believes it is reasonable to allocate the identified portion of the Zayo expense because Zayo provides the internet, fiber and bandwidth connections with respect to the network, linking the Exchange with its affiliates, MIAX and MIAX Emerald, as well as the data center and disaster recovery locations. As such, all of the trade data, including the billions of messages each day per exchange, flow through Zayo's infrastructure over the Exchange's network. Without these services from Zayo, the Exchange would not be able to operate and support the network and provide the services associated with the two additional Limited Service MEO Ports. The Exchange did not allocate all of the Zayo expense toward the cost of providing the services associated with the two additional Limited Service MEO Ports, only the portion which the Exchange identified as being specifically mapped to providing the two additional Limited Service MEO Ports, approximately 0.4% of the total Zayo expense. The Exchange believes this allocation is reasonable because it represents the Exchange's actual cost

to provide the services associated with the two additional Limited Service MEO Ports, and not any other service, as supported by its cost review.

The Exchange believes it is reasonable to allocate the identified portions of the SFTI expense and various other service providers' (including Thompson Reuters, NYSE, Nasdaq, and Internap) expense because those entities provide connectivity and feeds for the entire U.S. options industry, as well as the content, network services, and infrastructure services for critical components of the network. Without these services from SFTI and various other service providers, the Exchange would not be able to operate and support the network and provide access to its Members and non-Members and their customers. The Exchange did not allocate all of the SFTI and other service providers' expense toward the cost of providing the services associated with the two additional Limited Service MEO Ports, only the portions which the Exchange identified as being specifically mapped to providing the services associated with the two additional Limited Service MEO Ports, approximately 0.5% of the total SFTI and other service providers' expense. The Exchange believes this allocation is reasonable because it represents the Exchange's actual cost to provide the services associated with the two additional Limited Service MEO Ports.

The Exchange believes it is reasonable to allocate the identified portion of the other hardware and software provider expense because this includes costs for dedicated hardware licenses for switches and servers, as well as dedicated software licenses for security monitoring and reporting across the network. Without this hardware and software, the Exchange would not be able to operate and support the network and provide access to its Members and non-Members and their customers. The Exchange did not allocate all of the hardware and software provider expense toward the cost of providing the services associated with the two additional

Limited Service MEO Ports, only the portions which the Exchange identified as being specifically mapped to providing the services associated with the two additional Limited Service MEO Ports, approximately 0.3% of the total hardware and software provider expense. The Exchange believes this allocation is reasonable because it represents the Exchange's actual cost to provide the services associated with the two additional Limited Service MEO Ports.

For 2019, total internal expense, relating to the internal costs of the Exchange to provide the services associated with the two additional Limited Service MEO Ports was \$67,011. This includes, but is not limited to, costs associated with: (1) employee compensation and benefits for full-time employees that support the services associated with providing the two additional Limited Service MEO Ports, including staff in network operations, trading operations, development, system operations, business, as well as staff in general corporate departments (such as legal, regulatory, and finance) that support those employees and functions (including an increase as a result of the higher determinism project); (2) depreciation and amortization of hardware and software used to provide the services associated with the two additional Limited Service MEO Ports, including equipment, servers, cabling, purchased software and internally developed software used in the production environment to support the network for trading; and (3) occupancy costs for leased office space for staff that provide the services associated with the two additional Limited Service MEO Ports. The breakdown of these costs is more fully-described below. For clarity, only a portion of all such internal expenses are included in the internal expense herein, and no expense amount is allocated twice. Accordingly, the Exchange does not allocate its entire costs contained in those items to the services associated with providing the two additional Limited Service MEO Ports.

The Exchange believes it is reasonable to allocate such internal expense described above towards the total cost to the Exchange to provide the services associated with the two additional Limited Service MEO Ports. In particular, the Exchange's employee compensation and benefits expense relating to providing the services associated with the two additional Limited Service MEO Ports was approximately \$49,067, which is only a portion of the \$8,177,821 total expense for employee compensation and benefits. The Exchange believes it is reasonable to allocate the identified portion of such expense because this includes the time spent by employees of several departments, including Technology, Back Office, Systems Operations, Networking, Business Strategy Development (who create the business requirement documents that the Technology staff use to develop network features and enhancements), Trade Operations, Finance (who provide billing and accounting services relating to the network), and Legal (who provide legal services relating to the network, such as rule filings and various license agreements and other contracts). As part of the extensive cost review conducted by the Exchange, the Exchange reviewed the amount of time spent by each employee on matters relating to the provision of services associated with the two additional Limited Service MEO Ports. Without these employees, the Exchange would not be able to provide the services associated with the two additional Limited Service MEO Ports to its Members and non-Members and their customers. The Exchange did not allocate all of the employee compensation and benefits expense toward the cost of the services associated with providing the two additional Limited Service MEO Ports, only the portions which the Exchange identified as being specifically mapped to providing the services associated with the two additional Limited Service MEO Ports, approximately 0.6% of the total employee compensation and benefits expense. The Exchange believes this allocation is reasonable because it represents the

Exchange's actual cost to provide the services associated with the two additional Limited Service MEO Ports, and not any other service, as supported by its cost review.

The Exchange's depreciation and amortization expense relating to providing the services associated with the two additional Limited Service MEO Ports was \$15,584, which is only a portion of the \$3,116,781 total expense for depreciation and amortization. The Exchange believes it is reasonable to allocate the identified portion of such expense because such expense includes the actual cost of the computer equipment, such as dedicated servers, computers, laptops, monitors, information security appliances and storage, and network switching infrastructure equipment, including switches and taps that were purchased to operate and support the network and provide the services associated with the two additional Limited Service MEO Ports. Without this equipment, the Exchange would not be able to operate the network and provide the services associated with the two additional Limited Service MEO Ports to its Members and non-Members and their customers. The Exchange did not allocate all of the depreciation and amortization expense toward the cost of providing the services associated with the two additional Limited Service MEO Ports, only the portion which the Exchange identified as being specifically mapped to providing the services associated with the two additional Limited Service MEO Ports, approximately 0.5% of the total depreciation and amortization expense, as these services would not be possible without relying on such equipment. The Exchange believes this allocation is reasonable because it represents the Exchange's actual cost to provide the services associated with the two additional Limited Service MEO Ports, and not any other service, as supported by its cost review.

The Exchange's occupancy expense relating to providing the services associated with providing the two additional Limited Service MEO Ports was approximately \$2,360, which is

only a portion of the \$590,157 total expense for occupancy. The Exchange believes it is reasonable to allocate the identified portion of such expense because such expense represents the portion of the Exchange's cost to rent and maintain a physical location for the Exchange's staff who operate and support the network, including providing the services associated with the two additional Limited Service MEO Ports. This amount consists primarily of rent for the Exchange's Princeton, NJ office, as well as various related costs, such as physical security, property management fees, property taxes, and utilities. The Exchange operates its Network Operations Center ("NOC") and Security Operations Center ("SOC") from its Princeton, New Jersey office location. A centralized office space is required to house the staff that operates and supports the network. The Exchange currently has approximately 160 employees.

Approximately two-thirds of the Exchange's staff are in the Technology department, and the majority of those staff have some role in the operation and performance of the services associated with providing the two additional Limited Service MEO Ports. Without this office space, the Exchange would not be able to operate and support the network and provide the services associated with the two additional Limited Service MEO Ports to its Members and non-Members and their customers. Accordingly, the Exchange believes it is reasonable to allocate the identified portion of its occupancy expense because such amount represents the Exchange's actual cost to house the equipment and personnel who operate and support the Exchange's network infrastructure and the services associated with the two additional Limited Service MEO Ports. The Exchange did not allocate all of the occupancy expense toward the cost of providing the services associated with the two additional Limited Service MEO Ports, only the portion which the Exchange identified as being specifically mapped to operating and supporting the network, approximately 0.4% of the total occupancy expense. The Exchange

believes this allocation is reasonable because it represents the Exchange's cost to provide the services associated with the two additional Limited Service MEO Ports, and not any other service, as supported by its cost review.

Accordingly, based on the facts and circumstances presented, the Exchange believes that its provision of the services associated with the two additional Limited Service MEO Ports will not result in excessive pricing or supra-competitive profit.

For the avoidance of doubt, none of the expenses included herein relating to the services associated with providing the two additional Limited Service MEO Ports relate to the provision of any other services offered by the Exchange. Stated differently, no expense amount of the Exchange is allocated twice.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to allocate the respective percentages of each expense category described above towards the total cost to the Exchange of operating and supporting the network, including providing the services associated with the two additional Limited Service MEO Ports because the Exchange performed a line-by-line item analysis of all the expenses of the Exchange, and has determined the expenses that directly relate to operation and support of the network. Further, the Exchange notes that, without the specific third-party and internal items listed above, the Exchange would not be able to operate and support the network, including providing the services associated with the two additional Limited Service MEO Ports to its Members and non-Members and their customers. Each of these expense items, including physical hardware, software, employee compensation and benefits, occupancy costs, and the depreciation and amortization of equipment, have been identified through a line-by-line item analysis to be integral to the operation and support of the network. Providing the two additional Limited Service MEO

Ports at the existing rates is intended to recover the Exchange's costs of operating and supporting the network.

Accordingly, the Exchange believes that providing the two additional Limited Service MEO Ports at the existing rate is fair and reasonable because it does not result in excessive pricing or supra-competitive profit, when comparing the actual network operation and support costs to the Exchange versus the projected annual revenue from providing the two additional Limited Service MEO Ports.

Further, subjecting the two additional Limited Service MEO Ports to the existing \$400 monthly fee per port applicable to ports seven (7) and eight (8) is also designed to encourage Members to be efficient with their port usage, thereby resulting in a corresponding increase in the efficiency that the Exchange would be able to realize in managing its aggregate costs for providing the two additional ports. There is no requirement that any Member maintain a specific number of Limited Service MEO Ports and a Member may choose to maintain as many or as few of such ports as each Member deems appropriate.

Finally, subjecting the two additional Limited Service MEO Ports to the existing \$400 monthly fee applicable to ports seven (7) and eight (8) will help to encourage Limited Service MEO Port usage in a way that aligns with the Exchange's regulatory obligations. As a national securities exchange, the Exchange is subject to Regulation Systems Compliance and Integrity ("Reg. SCI").²¹ Reg. SCI Rule 1001(a) requires that the Exchange establish, maintain, and enforce written policies and procedures reasonably designed to ensure (among other things) that its Reg. SCI systems have levels of capacity adequate to maintain the Exchange's operational

²¹ 17 CFR 242.1000-1007.

capability and promote the maintenance of fair and orderly markets.²² By encouraging Members to be efficient with their usage of Limited MEO Ports, the current fee that will continue to apply to the proposed two (2) additional Limited Service MEO Ports will support the Exchange's Reg. SCI obligations in this regard by ensuring that unused ports are available to be allocated based on individual Members needs and as the Exchange's overall order and trade volumes increase.

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

MIAX PEARL 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, as amended. The proposed rule change will not impose a burden on competition but will benefit competition by enhancing the Exchange's ability to compete by providing additional services to market participants. It is not intended to address a competitive issue. Rather, the proposed increase in the number of additional Limited Service MEO Ports available per Member is intended to allow the Exchange to increase its inventory of MEO Ports to meet increased Member demand. The Exchange is increasing the number of available additional Limited Service MEO Ports in response to Member demand for increased connectivity to the MIAX PEARL System. The Exchange's current inventory may soon be insufficient to meet those needs. Again, the Exchange is not proposing to amend the fees for MEO Ports, just to increase the number of MEO Ports available per Member. The Exchange also does not believe that the proposed rule change will impose a burden on intramarket competition because the two additional Limited Service MEO Ports will be available to all Members on an equal basis. It is a business decision of each Member whether to pay for the additional Limited Service MEO Ports.

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

²² 17 CFR 242.1001(a).

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,²³ and Rule 19b-4(f)(2)²⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-PEARL-2020-25 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.

²³ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁴ 17 CFR 240.19b-4(f)(2).

All submissions should refer to File Number SR-PEARL-2020-25. 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-2020-25 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.²⁵

J. Matthew DeLesDernier
Assistant Secretary

²⁵ 17 CFR 200.30-3(a)(12).