

Required fields are shown with yellow backgrounds and asterisks.

Filing by MIAX PEARL, LLC
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
 Provide a brief description of the action (limit 250 characters, required when Initial is checked *).
 Amend Rule 2618, Risk Settings and Trading Risk Metrics, to adopt the "Net Notional Trade Value" risk setting.

Contact Information
 Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Chris Last Name * Solgan
 Title * Vice President, Senior Counsel
 E-mail * csolgan@miami-holdings.com
 Telephone * (609) 897-8494 Fax

Signature
 Pursuant to the requirements of the Securities Exchange Act of 1934,
 has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.
 (Title *)
 Date 11/13/2020 Vice President, Senior Counsel
 By Chris Solgan csolgan@miami-holdings.com
 (Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) MIAX PEARL, LLC (“MIAX PEARL” or the “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to provide Equity Members³ the Net Notional Trade Value risk setting, an additional optional risk setting under Exchange Rule 2618 when trading equity securities on the Exchange’s equity trading platform (referred to herein as “MIAX PEARL Equities”). The Exchange also proposes to make a non-substantive technical clarifications to paragraphs (a)(5) and (6) of Exchange Rule 2618.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange or his designee pursuant to authority delegated by the MIAX PEARL Board of Directors on January 29, 2020. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority.

Questions and comments on the proposed rule change may be directed to Chris Solgan, Vice President and Senior Counsel, at (609) 897-8494.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Rule 1901 for the definition of Equity Member.

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

a. Purpose

The purpose of the proposed rule change is to adopt the “Net Notional Trade Value” risk setting, which would provide Equity Members an additional optional risk setting under Exchange Rule 2618 when trading equity securities on MIAX PEARL Equities.⁴ The Exchange also proposes to make a non-substantive technical clarifications to paragraphs (a)(5) and (6) of Exchange Rule 2618.

Net Notional Risk Setting

The Exchange recently adopted the Gross Notional Trade Value risk setting to help Equity Members manage their risk.⁵ In that proposal, the Exchange also proposed to allow an Equity Member that does not self-clear the ability to allocate and revoke⁶ the responsibility of establishing and adjusting the risk settings identified in proposed paragraph (a)(2) of Exchange Rule 2618, which presently only includes the Gross Notional Trade Value risk setting, to a Clearing Member⁷ that clears transactions on behalf of the Equity Member, if designated in a

⁴ The proposed rule changes are substantially similar to a recent rule amendment by Cboe BZX Exchange, Inc. (“BZX”) and Cboe EDGX Exchange, Inc. (“EDGX”). See Interpretation and Policy .03 to BZX Rule 11.13 and Interpretation and Policy .03 to EDGX Rule 11.10. See Securities Exchange Act Nos. 88599 (April 8, 2020) 85 FR 20793 (April 14, 2020) (the “BZX Approval”); and 88783 (April 30, 2020), 85 FR 26991 (May 6, 2020) (the “EDGX Notice”). See also Securities Exchange Act Release Nos. 89032 (June 9, 2020), 85 FR 36246 (June 15, 2020) (SR-CboeBZX-2020-44); and 89000 (June 3, 2020), 85 FR 35344 (June 9, 2020) (SR-CboeEDGX-2020-023).

⁵ See Securities Exchange Act Release No. 89971 (September 23, 2020), 85 FR 61053 (September 29, 2020) (SR-PEARL-2020-16).

⁶ As discussed below, if an Equity Member revokes the responsibility of establishing and adjusting the risk settings identified in proposed paragraph (a), the settings applied by the Equity Member would be applicable.

⁷ The term “Clearing Member” refers to a Member that is a member of a Qualified Clearing Agency and clears transactions on behalf of another Member. See Exchange

manner prescribed by the Exchange.⁸

The Exchange now proposes to offer Net Notional Trade Value, an additional optional risk setting that would authorize the Exchange to take automated action if a designated limit for an Equity Member is breached. Like Gross Notional Trade Value, Net Notional Trade Value would provide Equity Members with enhanced abilities to manage their risk with respect to orders on the Exchange. The Exchange proposes to set forth Net Notional Trade Value under paragraph (a)(2) of Rule 2618 as follows:

- The “Net Notional Trade Value” which refers to a pre-established maximum daily dollar amount for purchases and sales across all symbols, where purchases are counted as positive values and sales are counted as negative values. For purposes of calculating the Net Notional Trade Value, only executed orders are included.

Like Gross Notional Trade Value, the proposed Net Notional Trade Value risk setting is similar to credit controls measuring net exposure provided for in paragraph (a)(1)(A) of Exchange Rule 2618 and allow limits to be set at the Market Participant Identifier (“MPID”), session, and firm level.⁹ Therefore, the proposed risk management functionality would allow an Equity Member to manage its risk more comprehensively and across various level settings. Further, like our

Rule 2620(a). Exchange Rule 2620(a) also: (i) outlines the process by which a Clearing Member shall affirm its responsibility for clearing any and all trades executed by the Equity Member designating it as its Clearing Firm; and (ii) provides that the rules of a Qualified Clearing Agency shall govern with respect to the clearance and settlement of any transactions executed by the Equity Member on the Exchange.

⁸ See supra note 5.

⁹ One difference between this proposed rule change and those of BZX and EDGX is that both BZX and EDGX only allow the net credit risk limits to be set at the MPID Level or to a subset of orders identified within that MPID (the “risk group identifier” level). See supra note 4. The Exchange believes allowing for limits to be set at the MPID, session, or firm level provides Equity Members greater flexibility in managing their risk exposure.

existing credit controls measuring gross exposure, the proposed risk setting would also be based on a notional execution value. The Exchange notes that the current gross notional control noted in paragraph (a)(2)(A) of Exchange Rule 2618 will continue to be available in addition to the proposed risk setting.

Like for the Gross Notional Trade Value risk setting,¹⁰ the processes set forth under existing paragraphs (a)(3) through (6) of Exchange Rule 2618 would also apply to the Net Notional Trade Value Risk Setting and are further described below.

Equity Members that do not self-clear may, pursuant to paragraph (a)(4) of Exchange Rule 2618, allocate and revoke¹¹ the responsibility of establishing and adjusting the Net Notional Trade Value risk settings to a Clearing Member that clears transactions on behalf of the Equity Member in the identical manner as they may do today for the Gross Notional Trade Value risk setting.¹²

By way of background and as explained in its proposal to adopt the Gross Notional Trade Value risk setting,¹³ Exchange Rule 2620(a) requires that all transactions passing through the facilities of the Exchange shall be cleared and settled through a Qualified Clearing Agency using a continuous net settlement system.¹⁴ As reflected in Exchange Rule 2620(a), this requirement

¹⁰ See supra note 5.

¹¹ As discussed below, if an Equity Member revokes the responsibility of establishing and adjusting the risk settings identified in proposed paragraph (a), the settings applied by the Equity Member would be applicable.

¹² See supra note 5.

¹³ Id.

¹⁴ The term “Qualified Clearing Agency” means a clearing agency registered with the Commission pursuant to Section 17A of the Act that is deemed qualified by the Exchange. See Exchange Rule 1901. The rules of any such clearing agency shall govern with the respect to the clearance and settlement of any transactions executed by the Member on the Exchange.

may be satisfied by direct participation, use of direct clearing services, or by entry into a corresponding clearing arrangement with another Equity Member that clears through a Qualified Clearing Agency (i.e., a Clearing Member). If an Equity Member clears transactions through another Equity Member that is a Clearing Member, such Clearing Member shall affirm to the Exchange in writing, through letter of authorization, letter of guarantee or other agreement acceptable to the Exchange, its agreement to assume responsibility for clearing and settling any and all trades executed by the Equity Member designating it as its clearing firm.¹⁵ Thus, while not all Equity Members are Clearing Members, all Equity Members are required either to clear their own transactions or to have in place a relationship with a Clearing Member that has agreed to clear transactions on their behalf in order to conduct business on the Exchange. Therefore, the Clearing Member that guarantees the Equity Member's transactions on the Exchange has a financial interest in the risk settings utilized within the System¹⁶ by the Equity Member.

Paragraph (a) of Rule 2620 allows Clearing Members an opportunity to manage their risk of clearing on behalf of other Equity Members, if authorized to do so by the Equity Member trading on MIAX PEARL Equities. Such functionality is designed to help Clearing Members to better monitor and manage the potential risks that they assume when clearing for Equity Members of the Exchange. Like it does today for the Gross Notional Trade Value risk setting, an Equity Member may allocate or revoke the responsibility of establishing and adjusting the risk settings for the Net Notional Trade Value risk setting to its Clearing Member in a manner prescribed by the Exchange. By allocating such responsibility, an Equity Member cedes all control and ability to establish and adjust such risk settings to its Clearing Member unless and

¹⁵ An Equity Member can designate one Clearing Member per MPID associated with the Equity Member.

¹⁶ See Exchange Rule 100 for a definition of "System."

until such responsibility is revoked by the Equity Member, as discussed in further detail below. Because the Equity Member is responsible for its own trading activity, the Exchange will not provide a Clearing Member authorization to establish and adjust the Net Notional Trade Value risk setting on behalf of an Equity Member without first receiving consent from the Equity Member. The Exchange considers an Equity Member to have provided such consent if it allocates the responsibility to establish and adjust risk settings to its Clearing Member in a manner prescribed by the Exchange. By allocating such responsibilities to its Clearing Member, the Equity Member consents to the Exchange taking action, as set forth in paragraph (a)(6) of Exchange Rule 2618, with respect to the Equity Member's trading activity. Specifically, like for the Gross Notional Trade Value risk setting, if the Net Notional Trade Value risk settings established by the Clearing Member are breached, the Equity Member consents that the Exchange will automatically block new orders submitted and cancel open orders until such time that the applicable risk setting is adjusted to a higher limit by the Clearing Member. An Equity Member may also revoke responsibility allocated to its Clearing Member pursuant to (a)(6) of Exchange Rule 2618 at any time in a manner prescribed by the Exchange.

Like for the Gross Notional Trade Value risk setting, paragraph (a)(3) Exchange Rule 2618 provides that either an Equity Member or its Clearing Member, if allocated such responsibility pursuant to paragraph (a)(4) of Exchange Rule 2618, may establish and adjust limits for the Net Notional Trade Value risk setting. An Equity Member or Clearing Member may establish and adjust limits for the risk setting in a manner prescribed by the Exchange. The risk management web portal page will also provide a view of all applicable limits for each Equity Member, which will be made available to the Equity Member and its Clearing Member, as discussed in further detail below.

Paragraph (a)(5) of Exchange Rule 2618 provides optional alerts to signal when an Equity Member is approaching its designated limit. If enabled, the alerts would generate when the Equity Member breaches certain percentage thresholds of its designated risk limit, including the proposed Net Notional Trade Value risk setting, as determined by the Exchange. Based on current industry standards, in its proposal to adopt the Gross Notional Trade Value risk setting, the Exchange initially set these thresholds at seventy-five or ninety percent of the designated risk limit.¹⁷ These thresholds would also apply to the Net Notional Trade Value risk setting. Both the Equity Member and Clearing Member¹⁸ would have the option to enable the alerts via the risk management tool on the web portal and designate email recipients of the notification. The proposed alert system is meant to warn an Equity Member and Clearing Member of the Equity Member's trading activity, and will have no impact on the Equity Member's order and trade activity if a warning percentage is breached. Proposed paragraph (a)(6) of Exchange Rule 2618 would authorize the Exchange to automatically block new orders submitted and cancel all open orders in the event that a risk setting is breached. The Exchange will continue to block new orders submitted until the Equity Member or Clearing Member, if allocated such responsibility pursuant to proposed paragraph (a)(4) of Exchange Rule 2618, adjusts the risk settings to a higher threshold. The proposed functionality is designed to assist Equity Members and Clearing Members in the management of, and risk control over, their credit risk. Further, the proposed functionality would allow the Equity Member to seamlessly avoid unintended executions that exceed their stated risk tolerance.

¹⁷ See supra note 5.

¹⁸ A Clearing Member would have the ability to enable alerts regardless of whether it was allocated responsibilities pursuant to proposed paragraph (a)(4) of Exchange Rule 2618.

Like it did for the Gross Notional Trade Value risk setting,¹⁹ the Exchange does not guarantee that the proposed Net Notional Trade Value risk setting and the processes described in paragraphs (a)(2) through (6) are sufficiently comprehensive to meet all of an Equity Member's risk management needs. Pursuant to Rule 15c3-5 under the Act,²⁰ a broker-dealer with market access must perform appropriate due diligence to assure that controls are reasonably designed to be effective, and otherwise consistent with the rule.²¹ Use of the Exchange's risk settings included in proposed paragraphs (a)(2) through (6) of Exchange Rule 2618 will not automatically constitute compliance with Exchange or federal rules and responsibility for compliance with all Exchange and SEC rules remains with the Equity Member.

Lastly, as the Exchange currently has the authority to share any of an Equity Member's risk settings specified in paragraph (a) of Exchange Rule 2618 under Exchange Rule 2620(f) with the Clearing Member that clears transactions on behalf of the Equity Member. Existing Exchange Rule 2620(f) provides the Exchange with authority to directly provide Clearing Members that clear transactions on behalf of an Equity Member, to share any of the Equity Member's risk settings set forth under paragraph (a) of Exchange Rule 2618.²² The purpose of such a provision under Exchange Rule 2620(f) was implemented to reduce the administrative

¹⁹ See supra note 5.

²⁰ 17 CFR § 240.15c3-5.

²¹ See Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access, available at <https://www.sec.gov/divisions/marketreg/faq-15c-5-risk-management-controls-bd.htm>.

²² By using the optional risk settings provided in paragraph (a) of Exchange Rule 2618, an Equity Member opts-in to the Exchange sharing its risk settings with its Clearing Member. Any Equity Member that does not wish to share such risk settings with its Clearing Member can avoid sharing such settings by becoming a Clearing Member. See, e.g., Securities Exchange Act Release No. 89563 (August 14, 2020), 85 FR 51510 (August 20, 2020) (SR-PEARL-2020-03) ("Equities Approval Order").

burden on participants on MIAX PEARL Equities, including both Clearing Members and Equity Members, and to ensure that Clearing Members receive information that is up to date and conforms to the settings active in the System. Further, the provision was adopted because the Exchange believed such functionality would help Clearing Members to better monitor and manage the potential risks that they assume when clearing for Equity Members of the Exchange. Paragraph (f) of Exchange Rule 2620 further authorizes the Exchange to share any of an Equity Member's risk settings specified in paragraph (a)(2) to Exchange Rule 2618 with the Clearing Member that clears transactions on behalf of the Equity Member.

The Exchange notes that the use by an Equity Member of the risk settings offered by the Exchange is optional. By using these proposed optional risk settings, an Equity Member therefore also opts-in to the Exchange sharing its designated risk settings with its Clearing Member. The Exchange believes that its proposal to offer an additional risk setting will allow Equity Members to better manage their credit risk. Further, by allowing Equity Members to allocate the responsibility for establishing and adjusting such risk settings to its Clearing Member, the Exchange believes Clearing Members may reduce potential risks that they assume when clearing for Equity Members of the Exchange. The Exchange also believes sharing a Member's risk settings set forth under paragraph (a)(2) to Exchange Rule 2618, including the proposed Net Notional Trade Value risk setting, directly with Clearing Members reduces the administrative burden on participants on the Exchange, including both Clearing Members and Equity Members, and ensures that Clearing Members are receiving information that is up to date and conforms to the settings active in the System.

Non-Substantive Clarification

The Exchange proposes to clarify that paragraphs (a)(5) and (6) of Exchange Rule 2618

apply only to the existing Gross Notional Trade Value and proposed Net Notional Trade Value risk setting set forth under paragraph (a)(2) of Exchange Rule 2618.²³ This is consistent with the rules of other exchanges, but the Exchange believes this clarification is necessary due to the different structure of the Exchange Rule 2618. The Exchange does not propose to make any other changes to paragraphs (a)(5) and (6) of Exchange Rule 2618.

b. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,²⁴ in general, and furthers the objectives of Section 6(b)(5),²⁵ 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.

Net Notional Trade Value

Specifically, the Exchange believes the proposed amendment will remove impediments to and perfect the mechanism of a free and open market and a national market system because it provides additional functionality for an Equity Member to manage its credit risk. Like for the Gross Notional Trade Value risk setting,²⁶ the processes set forth under existing paragraphs (a)(3) through (6) of Exchange Rule 2618 would also apply to the Net Notional Trade Value Risk Setting. In addition, the proposed risk setting could provide Clearing Members, who have

²³ See, e.g., Interpretation and Policy .03 to EDGX Rule 11.13.

²⁴ 15 U.S.C. 78f(b).

²⁵ 15 U.S.C. 78f(b)(5).

²⁶ See supra note 5.

assumed certain risks of Equity Members, greater control over risk tolerance and exposure on behalf of their correspondent Equity Members, if allocated responsibility pursuant to proposed paragraph (a)(4) of Exchange Rule 2618, while also providing an alert system that would help to ensure that both Equity Members and its Clearing Member are aware of developing issues. As such, the Exchange believes that the proposed risk settings would provide a means to address potentially market-impacting events, helping to ensure the proper functioning of the market.

In addition, the Exchange believes that the proposed rule change is designed to protect investors and the public interest because the proposed functionality is a form of risk mitigation that will aid Equity Members and Clearing Members in minimizing their financial exposure and reduce the potential for disruptive, market-wide events. In turn, the introduction of such risk management functionality could enhance the integrity of trading on the securities markets and help to assure the stability of the financial system.

Further, the Exchange believes that the proposed rule will foster cooperation and coordination with persons facilitating transactions in securities because the Exchange will provide alerts when an Equity Member's trading activity reaches certain thresholds, which will be available to both the Equity Member and Clearing Member. As such, the Exchange may help Clearing Members monitor the risk levels of correspondent Equity Members and provide tools for Clearing Members, if allocated such responsibility, to take action.

The proposal will permit Clearing Members who have a financial interest in the risk settings of Equity Members to better monitor and manage the potential risks assumed by Clearing Members, thereby providing Clearing Members with greater control and flexibility over setting their own risk tolerance and exposure. To the extent a Clearing Member might reasonably require an Equity Member to provide access to its risk settings as a prerequisite to

continuing to clear trades on the Equity Member's behalf, the Exchange's proposal to share those risk settings directly reduces the administrative burden on participants on the Exchange, including both Clearing Members and Equity Members. Moreover, providing Clearing Members with the ability to see the risk settings established for Equity Members for which they clear will foster efficiencies in the market and remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposal also ensures that Clearing Members are receiving information that is up to date and conforms to the settings active in the System. The Exchange believes that the proposal is consistent with the Act, particularly Section 6(b)(5),²⁷ because it will foster cooperation and coordination with persons engaged in facilitating transactions in securities and more generally, will protect investors and the public interest, by allowing Clearing Members to better monitor their risk exposure and by fostering efficiencies in the market and removing impediments to and perfect the mechanism of a free and open market and a national market system.

Finally, the Exchange believes that the proposed rule change does not unfairly discriminate among the Exchange's Members because use of the risk settings is optional and are not a prerequisite for participation on the Exchange. The proposed risk settings are completely voluntary and, as they relate solely to optional risk management functionality, no Equity Member is required or under any regulatory obligation to utilize them.

Like for the Gross Notional Trade Value risk setting, the processes set forth under existing paragraphs (a)(3) through (6) of Exchange Rule 2618, which were previously filed with the Commission for immediate effectiveness, would also apply to the Net Notional Trade Value

²⁷ 15 U.S.C. 78f(b)(5).

risk setting.²⁸ The proposed rule change is also based on Interpretation and Policy .03 of EDGX Rule 11.10 and Interpretation and Policy .03 of BZX Rule 11.13, with a few minor differences.²⁹ First, both BZX and EDGX only allow the net credit risk limits to be set at the MPID level or to a subset of orders identified within that MPID (the “risk group identifier” level) while the Exchange proposes to allow the risk limits to be set at the MPID, session, and firm level. Second, EDGX proposed additional changes to its Rule 11.13(a) to allow their clearing members access to its members risk settings. The Exchange does not need to include similar changes in this proposal as Exchange Rule 2620(a) already provides Clearing Members this ability and includes text identical to that which EDGX recently adopted.³⁰ Also unlike EDGX, the Exchange’s proposed Net Notional Trade Value and existing credit controls measuring net exposure are both based on notional execution value. The controls noted in paragraph (h) of Interpretation and Policy .03 of the EDGX Rules are applied based on a combination of outstanding orders on the EDGX book and notional execution value, while their Net Credit Risk Limit is based on notional execution value only, as the Exchange proposes herein and currently does so for its Gross Notional Trade Value risk setting. The Exchange notes that it proposes to generate alerts when the Equity Member breaches certain percentage thresholds of its designated risk limit, as determined by the Exchange. Based on current industry standards, the Exchange anticipates initially setting these thresholds at seventy-five or ninety percent of the designated risk limit. The Exchange notes that EDGX stated these thresholds would be set at fifty, seventy, or ninety percent. These differences also exist in the Exchange’s proposal to adopt the Gross Notional Trade Value risk setting, which was previously filed for immediate effectiveness and

²⁸ See supra note 5.

²⁹ See supra note 4.

³⁰ Id.

published by the Commission.³¹

Non-Substantive Clarifications

The Exchange also believes its non-substantive, technical clarifications to paragraphs (a)(5) and (6) of Exchange Rule 2618 is consistent with Section 6(b)(5)³² because they will remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed clarification to paragraphs (a)(5) and (6) of Exchange Rule 2618 that is applies only to the existing Gross Notional Trade Value and proposed Net Notional Trade Value risk setting set forth under paragraph (a)(2) of Exchange Rule 2618³³ is consistent with the rules of other exchanges, but the Exchange believes this clarification is necessary due to the different structure of the Exchange Rule 2618. These changes to Exchange Rule 2618(a)(5) and (6) promote just and equitable principles of trade by making the Exchange's rules clearer and easier to understand, thereby avoiding potential investor confusion.

4. 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 would allow the Exchange to offer risk management functionality that is comparable to functionality that has been adopted by other national securities exchanges.³⁴ Further, by providing Equity Members and their Clearing Members additional means to monitor and control risk, the proposed rule may increase confidence in the proper functioning of the markets and

³¹ See supra note 5.

³² 15 U.S.C. 78f(b)(5).

³³ See, e.g., Interpretation and Policy .03 to EDGX Rule 11.13.

³⁴ Id.

contribute to additional competition among trading venues and broker-dealers. Rather than impede competition, the proposal is designed to facilitate more robust risk management by Equity Members and Clearing Members, which, in turn, could enhance the integrity of trading on the securities markets and help to assure the stability of the financial system. Lastly, the proposed clarifications to Exchange Rule 2618(a)(5) and (6) simply seek to make the Exchange's rules clearer and easier to understand, and, therefore, do they impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A) of the Act³⁵ and Rule 19b-4(f)(6)³⁶ thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that the proposed rule change to adopt additional risk controls is designed to protect investors and the public interest because the proposed functionality is a form

³⁵ 15 U.S.C. 78s(b)(3)(A).

³⁶ 17 CFR 240.19b-4(f)(6).

of risk mitigation that will aid Equity Members and Clearing Members in minimizing their financial exposure and reduce the potential for disruptive, market-wide events. In turn, the introduction of such risk management functionality could enhance the integrity of trading on the securities markets and help to assure the stability of the financial system. Additionally, the Exchange believes the proposed rule change will not significantly affect the protection of investors or the public interest and will have no significant burden on competition as other exchanges have adopted similar risk controls and therefore the proposed rule change does not raise any novel regulatory issues.³⁷ Furthermore, other exchanges are free to adopt similar functionality as they see fit. Like for the Gross Notional Trade Value risk setting, the processes set forth under existing paragraphs (a)(3) through (6) of Exchange Rule 2618 would also apply to the Net Notional Trade Value Risk Setting, which was previously filed with the Commission for immediate effectiveness.³⁸ Lastly, the proposed clarifications to Exchange Rule 2618(a)(5) and (6) simply seek to make the Exchange's rules clearer and easier to understand, thereby avoiding potential investor confusion. Therefore, these proposed clarifications do not significantly affect the protection of investors or the public interest, nor do they impose any significant burden on competition.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. 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

³⁷ See supra note 4.

³⁸ See supra note 5.

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.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on Interpretation and Policy .03 of EDGX Rule 11.10 and Interpretation and Policy .03 of BZX Rule 11.13, with a few minor differences.³⁹ First, both BZX and EDGX only allow the net credit risk limits to be set at the MPID level or the risk group identifier level while the Exchange proposes to allow the risk limits to be set at the MPID, session, and firm level. Second, EDGX proposed additional changes to its Rule 11.13(a) to allow their clearing members access to its members risk settings. The Exchange did not need to include similar changes in this proposal as its Rule 2620(a) already provided Clearing Members this ability and included text that EDGX recently adopted. Unlike EDGX, the Exchange's proposed Net Notional Trade Value and existing credit controls measuring net exposure are both based on notional execution value. The controls noted in paragraph (h) of Interpretation and Policy .03 of the EDGX Rules are applied based on a combination of outstanding orders on the EDGX book and notional execution value, while their Net Credit Risk Limit is based on notional execution value only, as the Exchange proposes herein and currently does so for its Gross Notional Trade Value risk setting. The Exchange notes that it proposes to generate alerts when the Equity Member breaches certain percentage thresholds of its designated risk limit, as determined by the Exchange. Based on current industry standards, the Exchange anticipates initially setting these thresholds at seventy-five or ninety percent of the designated risk limit.

³⁹ See supra note 4.

The Exchange notes that EDGX stated these thresholds would be set at fifty, seventy, or ninety percent.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

5. Text of proposed rule change.

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-PEARL-2020-26)

November __, 2020

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIA X PEARL, LLC to Amend Exchange Rule 2618, Risk Settings and Trading Risk Metrics

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 November ____, 2020, MIA X PEARL, LLC (“MIA X PEARL” or the “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 proposed rule change to provide Equity Members³ the Net Notional Trade Value risk setting, an additional optional risk setting under Exchange Rule 2618 when trading equity securities on the Exchange’s equity trading platform (referred to herein as “MIA X PEARL Equities”). The Exchange also proposes to make a non-substantive technical clarifications to paragraphs (a)(5) and (6) of Exchange Rule 2618.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/pearl> at MIA X 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 See Exchange Rule 1901 for the definition of Equity Member.

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 purpose of the proposed rule change is to adopt the “Net Notional Trade Value” risk setting, which would provide Equity Members an additional optional risk setting under Exchange Rule 2618 when trading equity securities on MIAX PEARL Equities.⁴ The Exchange also proposes to make a non-substantive technical clarifications to paragraphs (a)(5) and (6) of Exchange Rule 2618.

Net Notional Risk Setting

The Exchange recently adopted the Gross Notional Trade Value risk setting to help Equity Members manage their risk.⁵ In that proposal, the Exchange also proposed to allow an

⁴ The proposed rule changes are substantially similar to a recent rule amendment by Cboe BZX Exchange, Inc. (“BZX”) and Cboe EDGX Exchange, Inc. (“EDGX”). See Interpretation and Policy .03 to BZX Rule 11.13 and Interpretation and Policy .03 to EDGX Rule 11.10. See Securities Exchange Act Nos. 88599 (April 8, 2020) 85 FR 20793 (April 14, 2020) (the “BZX Approval”); and 88783 (April 30, 2020), 85 FR 26991 (May 6, 2020) (the “EDGX Notice”). See also Securities Exchange Act Release Nos. 89032 (June 9, 2020), 85 FR 36246 (June 15, 2020) (SR-CboeBZX-2020-44); and 89000 (June 3, 2020), 85 FR 35344 (June 9, 2020) (SR-CboeEDGX-2020-023).

⁵ See Securities Exchange Act Release No. 89971 (September 23, 2020), 85 FR 61053 (September 29, 2020) (SR-PEARL-2020-16).

Equity Member that does not self-clear the ability to allocate and revoke⁶ the responsibility of establishing and adjusting the risk settings identified in proposed paragraph (a)(2) of Exchange Rule 2618, which presently only includes the Gross Notional Trade Value risk setting, to a Clearing Member⁷ that clears transactions on behalf of the Equity Member, if designated in a manner prescribed by the Exchange.⁸

The Exchange now proposes to offer Net Notional Trade Value, an additional optional risk setting that would authorize the Exchange to take automated action if a designated limit for an Equity Member is breached. Like Gross Notional Trade Value, Net Notional Trade Value would provide Equity Members with enhanced abilities to manage their risk with respect to orders on the Exchange. The Exchange proposes to set forth Net Notional Trade Value under paragraph (a)(2) of Rule 2618 as follows:

- The “Net Notional Trade Value” which refers to a pre-established maximum daily dollar amount for purchases and sales across all symbols, where purchases are counted as positive values and sales are counted as negative values. For purposes of calculating the Net Notional Trade Value, only executed orders are included.

Like Gross Notional Trade Value, the proposed Net Notional Trade Value risk setting is similar to credit controls measuring net exposure provided for in paragraph (a)(1)(A) of Exchange Rule

⁶ As discussed below, if an Equity Member revokes the responsibility of establishing and adjusting the risk settings identified in proposed paragraph (a), the settings applied by the Equity Member would be applicable.

⁷ The term “Clearing Member” refers to a Member that is a member of a Qualified Clearing Agency and clears transactions on behalf of another Member. See Exchange Rule 2620(a). Exchange Rule 2620(a) also: (i) outlines the process by which a Clearing Member shall affirm its responsibility for clearing any and all trades executed by the Equity Member designating it as its Clearing Firm; and (ii) provides that the rules of a Qualified Clearing Agency shall govern with respect to the clearance and settlement of any transactions executed by the Equity Member on the Exchange.

⁸ See supra note 5.

2618 and allow limits to be set at the Market Participant Identifier (“MPID”), session, and firm level.⁹ Therefore, the proposed risk management functionality would allow an Equity Member to manage its risk more comprehensively and across various level settings. Further, like our existing credit controls measuring gross exposure, the proposed risk setting would also be based on a notional execution value. The Exchange notes that the current gross notional control noted in paragraph (a)(2)(A) of Exchange Rule 2618 will continue to be available in addition to the proposed risk setting.

Like for the Gross Notional Trade Value risk setting,¹⁰ the processes set forth under existing paragraphs (a)(3) through (6) of Exchange Rule 2618 would also apply to the Net Notional Trade Value Risk Setting and are further described below.

Equity Members that do not self-clear may, pursuant to paragraph (a)(4) of Exchange Rule 2618, allocate and revoke¹¹ the responsibility of establishing and adjusting the Net Notional Trade Value risk settings to a Clearing Member that clears transactions on behalf of the Equity Member in the identical manner as they may do today for the Gross Notional Trade Value risk setting.¹²

By way of background and as explained in its proposal to adopt the Gross Notional Trade

⁹ One difference between this proposed rule change and those of BZX and EDGX is that both BZX and EDGX only allow the net credit risk limits to be set at the MPID Level or to a subset of orders identified within that MPID (the “risk group identifier” level). See supra note 4. The Exchange believes allowing for limits to be set at the MPID, session, or firm level provides Equity Members greater flexibility in managing their risk exposure.

¹⁰ See supra note 5.

¹¹ As discussed below, if an Equity Member revokes the responsibility of establishing and adjusting the risk settings identified in proposed paragraph (a), the settings applied by the Equity Member would be applicable.

¹² See supra note 5.

Value risk setting,¹³ Exchange Rule 2620(a) requires that all transactions passing through the facilities of the Exchange shall be cleared and settled through a Qualified Clearing Agency using a continuous net settlement system.¹⁴ As reflected in Exchange Rule 2620(a), this requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a corresponding clearing arrangement with another Equity Member that clears through a Qualified Clearing Agency (i.e., a Clearing Member). If an Equity Member clears transactions through another Equity Member that is a Clearing Member, such Clearing Member shall affirm to the Exchange in writing, through letter of authorization, letter of guarantee or other agreement acceptable to the Exchange, its agreement to assume responsibility for clearing and settling any and all trades executed by the Equity Member designating it as its clearing firm.¹⁵ Thus, while not all Equity Members are Clearing Members, all Equity Members are required either to clear their own transactions or to have in place a relationship with a Clearing Member that has agreed to clear transactions on their behalf in order to conduct business on the Exchange. Therefore, the Clearing Member that guarantees the Equity Member's transactions on the Exchange has a financial interest in the risk settings utilized within the System¹⁶ by the Equity Member.

Paragraph (a) of Rule 2620 allows Clearing Members an opportunity to manage their risk of clearing on behalf of other Equity Members, if authorized to do so by the Equity Member trading on MIAX PEARL Equities. Such functionality is designed to help Clearing Members to

¹³ Id.

¹⁴ The term "Qualified Clearing Agency" means a clearing agency registered with the Commission pursuant to Section 17A of the Act that is deemed qualified by the Exchange. See Exchange Rule 1901. The rules of any such clearing agency shall govern with the respect to the clearance and settlement of any transactions executed by the Member on the Exchange.

¹⁵ An Equity Member can designate one Clearing Member per MPID associated with the Equity Member.

¹⁶ See Exchange Rule 100 for a definition of "System."

better monitor and manage the potential risks that they assume when clearing for Equity Members of the Exchange. Like it does today for the Gross Notional Trade Value risk setting, an Equity Member may allocate or revoke the responsibility of establishing and adjusting the risk settings for the Net Notional Trade Value risk setting to its Clearing Member in a manner prescribed by the Exchange. By allocating such responsibility, an Equity Member cedes all control and ability to establish and adjust such risk settings to its Clearing Member unless and until such responsibility is revoked by the Equity Member, as discussed in further detail below. Because the Equity Member is responsible for its own trading activity, the Exchange will not provide a Clearing Member authorization to establish and adjust the Net Notional Trade Value risk setting on behalf of an Equity Member without first receiving consent from the Equity Member. The Exchange considers an Equity Member to have provided such consent if it allocates the responsibility to establish and adjust risk settings to its Clearing Member in a manner prescribed by the Exchange. By allocating such responsibilities to its Clearing Member, the Equity Member consents to the Exchange taking action, as set forth in paragraph (a)(6) of Exchange Rule 2618, with respect to the Equity Member's trading activity. Specifically, like for the Gross Notional Trade Value risk setting, if the Net Notional Trade Value risk settings established by the Clearing Member are breached, the Equity Member consents that the Exchange will automatically block new orders submitted and cancel open orders until such time that the applicable risk setting is adjusted to a higher limit by the Clearing Member. An Equity Member may also revoke responsibility allocated to its Clearing Member pursuant to (a)(6) of Exchange Rule 2618 at any time in a manner prescribed by the Exchange.

Like for the Gross Notional Trade Value risk setting, paragraph (a)(3) Exchange Rule 2618 provides that either an Equity Member or its Clearing Member, if allocated such responsibility pursuant to paragraph (a)(4) of Exchange Rule 2618, may establish and adjust

limits for the Net Notional Trade Value risk setting. An Equity Member or Clearing Member may establish and adjust limits for the risk setting in a manner prescribed by the Exchange. The risk management web portal page will also provide a view of all applicable limits for each Equity Member, which will be made available to the Equity Member and its Clearing Member, as discussed in further detail below.

Paragraph (a)(5) of Exchange Rule 2618 provides optional alerts to signal when an Equity Member is approaching its designated limit. If enabled, the alerts would generate when the Equity Member breaches certain percentage thresholds of its designated risk limit, including the proposed Net Notional Trade Value risk setting, as determined by the Exchange. Based on current industry standards, in its proposal to adopt the Gross Notional Trade Value risk setting, the Exchange initially set these thresholds at seventy-five or ninety percent of the designated risk limit.¹⁷ These thresholds would also apply to the Net Notional Trade Value risk setting. Both the Equity Member and Clearing Member¹⁸ would have the option to enable the alerts via the risk management tool on the web portal and designate email recipients of the notification. The proposed alert system is meant to warn an Equity Member and Clearing Member of the Equity Member's trading activity, and will have no impact on the Equity Member's order and trade activity if a warning percentage is breached. Proposed paragraph (a)(6) of Exchange Rule 2618 would authorize the Exchange to automatically block new orders submitted and cancel all open orders in the event that a risk setting is breached. The Exchange will continue to block new orders submitted until the Equity Member or Clearing Member, if allocated such responsibility pursuant to proposed paragraph (a)(4) of Exchange Rule 2618, adjusts the risk settings to a

¹⁷ See supra note 5.

¹⁸ A Clearing Member would have the ability to enable alerts regardless of whether it was allocated responsibilities pursuant to proposed paragraph (a)(4) of Exchange Rule 2618.

higher threshold. The proposed functionality is designed to assist Equity Members and Clearing Members in the management of, and risk control over, their credit risk. Further, the proposed functionality would allow the Equity Member to seamlessly avoid unintended executions that exceed their stated risk tolerance.

Like it did for the Gross Notional Trade Value risk setting,¹⁹ the Exchange does not guarantee that the proposed Net Notional Trade Value risk setting and the processes described in paragraphs (a)(2) through (6) are sufficiently comprehensive to meet all of an Equity Member's risk management needs. Pursuant to Rule 15c3-5 under the Act,²⁰ a broker-dealer with market access must perform appropriate due diligence to assure that controls are reasonably designed to be effective, and otherwise consistent with the rule.²¹ Use of the Exchange's risk settings included in proposed paragraphs (a)(2) through (6) of Exchange Rule 2618 will not automatically constitute compliance with Exchange or federal rules and responsibility for compliance with all Exchange and SEC rules remains with the Equity Member.

Lastly, as the Exchange currently has the authority to share any of an Equity Member's risk settings specified in paragraph (a) of Exchange Rule 2618 under Exchange Rule 2620(f) with the Clearing Member that clears transactions on behalf of the Equity Member. Existing Exchange Rule 2620(f) provides the Exchange with authority to directly provide Clearing Members that clear transactions on behalf of an Equity Member, to share any of the Equity

¹⁹ See supra note 5.

²⁰ 17 CFR § 240.15c3-5.

²¹ See Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access, available at <https://www.sec.gov/divisions/marketreg/faq-15c-5-risk-management-controls-bd.htm>.

Member's risk settings set forth under paragraph (a) of Exchange Rule 2618.²² The purpose of such a provision under Exchange Rule 2620(f) was implemented to reduce the administrative burden on participants on MIAx PEARL Equities, including both Clearing Members and Equity Members, and to ensure that Clearing Members receive information that is up to date and conforms to the settings active in the System. Further, the provision was adopted because the Exchange believed such functionality would help Clearing Members to better monitor and manage the potential risks that they assume when clearing for Equity Members of the Exchange. Paragraph (f) of Exchange Rule 2620 further authorizes the Exchange to share any of an Equity Member's risk settings specified in paragraph (a)(2) to Exchange Rule 2618 with the Clearing Member that clears transactions on behalf of the Equity Member.

The Exchange notes that the use by an Equity Member of the risk settings offered by the Exchange is optional. By using these proposed optional risk settings, an Equity Member therefore also opts-in to the Exchange sharing its designated risk settings with its Clearing Member. The Exchange believes that its proposal to offer an additional risk setting will allow Equity Members to better manage their credit risk. Further, by allowing Equity Members to allocate the responsibility for establishing and adjusting such risk settings to its Clearing Member, the Exchange believes Clearing Members may reduce potential risks that they assume when clearing for Equity Members of the Exchange. The Exchange also believes sharing a Member's risk settings set forth under paragraph (a)(2) to Exchange Rule 2618, including the proposed Net Notional Trade Value risk setting, directly with Clearing Members reduces the

²² By using the optional risk settings provided in paragraph (a) of Exchange Rule 2618, an Equity Member opts-in to the Exchange sharing its risk settings with its Clearing Member. Any Equity Member that does not wish to share such risk settings with its Clearing Member can avoid sharing such settings by becoming a Clearing Member. See, e.g., Securities Exchange Act Release No. 89563 (August 14, 2020), 85 FR 51510 (August 20, 2020) (SR-PEARL-2020-03) ("Equities Approval Order").

administrative burden on participants on the Exchange, including both Clearing Members and Equity Members, and ensures that Clearing Members are receiving information that is up to date and conforms to the settings active in the System.

Non-Substantive Clarification

The Exchange proposes to clarify that paragraphs (a)(5) and (6) of Exchange Rule 2618 apply only to the existing Gross Notional Trade Value and proposed Net Notional Trade Value risk setting set forth under paragraph (a)(2) of Exchange Rule 2618.²³ This is consistent with the rules of other exchanges, but the Exchange believes this clarification is necessary due to the different structure of the Exchange Rule 2618. The Exchange does not propose to make any other changes to paragraphs (a)(5) and (6) of Exchange Rule 2618.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,²⁴ in general, and furthers the objectives of Section 6(b)(5),²⁵ 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.

Net Notional Trade Value

Specifically, the Exchange believes the proposed amendment will remove impediments to and perfect the mechanism of a free and open market and a national market system because it

²³ See, e.g., Interpretation and Policy .03 to EDGX Rule 11.13.

²⁴ 15 U.S.C. 78f(b).

²⁵ 15 U.S.C. 78f(b)(5).

provides additional functionality for an Equity Member to manage its credit risk. Like for the Gross Notional Trade Value risk setting,²⁶ the processes set forth under existing paragraphs (a)(3) through (6) of Exchange Rule 2618 would also apply to the Net Notional Trade Value Risk Setting. In addition, the proposed risk setting could provide Clearing Members, who have assumed certain risks of Equity Members, greater control over risk tolerance and exposure on behalf of their correspondent Equity Members, if allocated responsibility pursuant to proposed paragraph (a)(4) of Exchange Rule 2618, while also providing an alert system that would help to ensure that both Equity Members and its Clearing Member are aware of developing issues. As such, the Exchange believes that the proposed risk settings would provide a means to address potentially market-impacting events, helping to ensure the proper functioning of the market.

In addition, the Exchange believes that the proposed rule change is designed to protect investors and the public interest because the proposed functionality is a form of risk mitigation that will aid Equity Members and Clearing Members in minimizing their financial exposure and reduce the potential for disruptive, market-wide events. In turn, the introduction of such risk management functionality could enhance the integrity of trading on the securities markets and help to assure the stability of the financial system.

Further, the Exchange believes that the proposed rule will foster cooperation and coordination with persons facilitating transactions in securities because the Exchange will provide alerts when an Equity Member's trading activity reaches certain thresholds, which will be available to both the Equity Member and Clearing Member. As such, the Exchange may help Clearing Members monitor the risk levels of correspondent Equity Members and provide tools for Clearing Members, if allocated such responsibility, to take action.

²⁶ See supra note 5.

The proposal will permit Clearing Members who have a financial interest in the risk settings of Equity Members to better monitor and manage the potential risks assumed by Clearing Members, thereby providing Clearing Members with greater control and flexibility over setting their own risk tolerance and exposure. To the extent a Clearing Member might reasonably require an Equity Member to provide access to its risk settings as a prerequisite to continuing to clear trades on the Equity Member's behalf, the Exchange's proposal to share those risk settings directly reduces the administrative burden on participants on the Exchange, including both Clearing Members and Equity Members. Moreover, providing Clearing Members with the ability to see the risk settings established for Equity Members for which they clear will foster efficiencies in the market and remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposal also ensures that Clearing Members are receiving information that is up to date and conforms to the settings active in the System. The Exchange believes that the proposal is consistent with the Act, particularly Section 6(b)(5),²⁷ because it will foster cooperation and coordination with persons engaged in facilitating transactions in securities and more generally, will protect investors and the public interest, by allowing Clearing Members to better monitor their risk exposure and by fostering efficiencies in the market and removing impediments to and perfect the mechanism of a free and open market and a national market system.

Finally, the Exchange believes that the proposed rule change does not unfairly discriminate among the Exchange's Members because use of the risk settings is optional and are not a prerequisite for participation on the Exchange. The proposed risk settings are completely voluntary and, as they relate solely to optional risk management functionality, no Equity

²⁷ 15 U.S.C. 78f(b)(5).

Member is required or under any regulatory obligation to utilize them.

Like for the Gross Notional Trade Value risk setting, the processes set forth under existing paragraphs (a)(3) through (6) of Exchange Rule 2618, which were previously filed with the Commission for immediate effectiveness, would also apply to the Net Notional Trade Value risk setting.²⁸ The proposed rule change is also based on Interpretation and Policy .03 of EDGX Rule 11.10 and Interpretation and Policy .03 of BZX Rule 11.13, with a few minor differences.²⁹ First, both BZX and EDGX only allow the net credit risk limits to be set at the MPID level or to a subset of orders identified within that MPID (the “risk group identifier” level) while the Exchange proposes to allow the risk limits to be set at the MPID, session, and firm level. Second, EDGX proposed additional changes to its Rule 11.13(a) to allow their clearing members access to its members risk settings. The Exchange does not need to include similar changes in this proposal as Exchange Rule 2620(a) already provides Clearing Members this ability and includes text identical to that which EDGX recently adopted.³⁰ Also unlike EDGX, the Exchange’s proposed Net Notional Trade Value and existing credit controls measuring net exposure are both based on notional execution value. The controls noted in paragraph (h) of Interpretation and Policy .03 of the EDGX Rules are applied based on a combination of outstanding orders on the EDGX book and notional execution value, while their Net Credit Risk Limit is based on notional execution value only, as the Exchange proposes herein and currently does so for its Gross Notional Trade Value risk setting. The Exchange notes that it proposes to generate alerts when the Equity Member breaches certain percentage thresholds of its designated risk limit, as determined by the Exchange. Based on current industry standards, the Exchange

²⁸ See supra note 5.

²⁹ See supra note 4.

³⁰ Id.

anticipates initially setting these thresholds at seventy-five or ninety percent of the designated risk limit. The Exchange notes that EDGX stated these thresholds would be set at fifty, seventy, or ninety percent. These differences also exist in the Exchange's proposal to adopt the Gross Notional Trade Value risk setting, which was previously filed for immediate effectiveness and published by the Commission.³¹

Non-Substantive Clarifications

The Exchange also believes its non-substantive, technical clarifications to paragraphs (a)(5) and (6) of Exchange Rule 2618 is consistent with Section 6(b)(5)³² because they will remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed clarification to paragraphs (a)(5) and (6) of Exchange Rule 2618 that is applies only to the existing Gross Notional Trade Value and proposed Net Notional Trade Value risk setting set forth under paragraph (a)(2) of Exchange Rule 2618³³ is consistent with the rules of other exchanges, but the Exchange believes this clarification is necessary due to the different structure of the Exchange Rule 2618. These changes to Exchange Rule 2618(a)(5) and (6) promote just and equitable principles of trade by making the Exchange's rules clearer and easier to understand, thereby avoiding potential investor confusion.

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 would allow the Exchange to offer risk management functionality that is comparable to

³¹ See supra note 5.

³² 15 U.S.C. 78f(b)(5).

³³ See, e.g., Interpretation and Policy .03 to EDGX Rule 11.13.

functionality that has been adopted by other national securities exchanges.³⁴ Further, by providing Equity Members and their Clearing Members additional means to monitor and control risk, the proposed rule may increase confidence in the proper functioning of the markets and contribute to additional competition among trading venues and broker-dealers. Rather than impede competition, the proposal is designed to facilitate more robust risk management by Equity Members and Clearing Members, which, in turn, could enhance the integrity of trading on the securities markets and help to assure the stability of the financial system. Lastly, the proposed clarifications to Exchange Rule 2618(a)(5) and (6) simply seek to make the Exchange's rules clearer and easier to understand, and, therefore, do they impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 Act³⁵ and Rule 19b-4(f)(6)³⁶ thereunder.

³⁴

Id.

³⁵

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

³⁶

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](mailto:to-rule-comments@sec.gov). Please include File Number SR-PEARL-2020-26 on the subject line.

Paper comments:

- Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-PEARL-2020-26. 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 Web site (<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-2020-26 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.³⁷

Vanessa Countryman
Secretary

³⁷ 17 CFR 200.30-3(a)(12).

New text is underlined;
Deleted text is in [brackets]

MIAX PEARL, LLC Rules

Rule 2618. Risk Settings and Trading Risk Metrics

(a) **Risk Settings**

(1) (No change).

(2) MIAX PEARL Equities offers certain risk settings applicable to an Equity Member's activities on MIAX PEARL Equities that are available to either the Equity Member or to its Clearing Member, as defined in Rule 2620, as set forth below:

(A) (No change).

(B) The "Net Notional Trade Value" which refers to a pre-established maximum daily dollar amount for purchases and sales across all symbols, where purchases are counted as positive values and sales are counted as negative values. For purposes of calculating the Net Notional Trade Value, only executed orders are included.

(5) **Alerts.** For the risk settings identified in paragraph (a)(2) of this Rule 2618, [B]both the Equity Member and the Clearing Member may enable alerts to signal when the Equity Member is approaching designated limits.

(6) **Breach.** If a risk setting identified in paragraph (a)(2) of this Rule 2618 is breached, the Exchange will automatically block new orders submitted and cancel open orders until such time that the applicable risk control is adjusted to a higher limit by the Equity Member or Clearing Member with the responsibility of establishing and adjusting the risk settings.
