

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 Exchange Rule 404 to limit the intervals between strikes within the Short Term Options Series program.

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 * Gregory Last Name * Ziegler
 Title * Senior Counsel
 E-mail * gziegler@miaxoptions.com
 Telephone * (609) 897-1483 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 04/22/2021 Senior Counsel
By Gregory P. Ziegler
(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.

gziegler@miami-holdings.com

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 proposes to amend Exchange Rule 404, Series of Option Contracts Open for Trading.

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 28, 2021. 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 Gregory P. Ziegler, Vice President and Senior Counsel, at (609) 897-1483.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend Rule 404, Series of Option Contracts Open for Trading. Specifically, this proposal seeks to limit the intervals between strikes for multiply listed equity options classes within the Short Term Options Series program that have an expiration date more than twenty-one days from the listing date.

Background

Today, Exchange Rule 404 permits the Exchange, after a particular class of options (call option contracts or put option contracts relating to a specific underlying stock, Exchange-Traded Fund Share,³ or ETNs) has been approved for listing and trading on the Exchange, to open for trading series of options therein. The Exchange may list series of options for trading on a weekly,⁴ monthly,⁵ or quarterly⁶ basis. Exchange Rule 404(d) sets forth the intervals between strike prices of series of options on individual stocks.⁷ In addition to those intervals, the

³ Securities deemed appropriate for options trading shall include share or other securities (“Exchange-Traded Fund Shares”) that are traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS. See Exchange Rule 402(i).

⁴ The weekly listing program is known as the Short Term Options Series Program and is described in Policy .02 of Exchange Rule 404.

⁵ Except as other provided in Exchange Rule 404 and Interpretations and Policies hereto, at the commencement of trading on the Exchange of a particular type of option of a class of options, the Exchange shall open a minimum of one expiration month and series for each class of options open for trading on the Exchange. See Exchange Rule 404(b).

⁶ The quarterly listing program is known as the Quarterly Options Series Program and is described in Policy .03 of Exchange Rule 404.

⁷ Except as otherwise provided in Interpretations and Policies of Exchange Rule 404, the interval between strike prices of series of options on individual stocks will be: (1) \$2.50 or greater where the strike price is \$25.00 or less; (2) \$5.00 or greater where the strike

Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,⁸ the \$0.50 Strike Program,⁹ and the \$2.50 Strike Price Program.¹⁰

The Exchange's proposal seeks to amend the listing of weekly series of options as proposed within Policy .02(f) of Exchange Rule 404, by limiting the intervals between strikes in multiply listed equity options, excluding Exchange-Traded Fund Shares and ETNs, that have an expiration date more than twenty-one days from the listing date. This proposal does not amend monthly or quarterly listing rules nor does it amend the \$1 Strike Price Interval Program, the \$0.50 Strike Program, or the \$2.50 Strike Price Program.

Short Term Options Series Program

Today, Policy .02 of Exchange Rule 404 permits the Exchange to open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on an option class that expires at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"), provided an option class has been approved for listing and trading on the Exchange.¹¹ Today, the Exchange may open up to thirty initial series

price is greater than \$25.00; and (3) \$10.00 or greater where the strike price is greater than \$200.00.

⁸ The \$1 Strike Price Interval Program is described within Policy .01 of Exchange Rule 404.

⁹ The \$0.50 Strike Program is described in Policy .04 of Exchange Rule 404.

¹⁰ The \$2.50 Strike Price Program is described in Exchange Rule 404(f).

¹¹ The Exchange may have no more than a total of five Short Term Option Expiration Dates. Monday and Wednesday SPY Expirations (described in the paragraph below) are not included as part of this count. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. The Exchange may open for trading on any

for each option class that participates in the Short Term Options Series Program.¹² Further, if the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.¹³

The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date. The strike price interval for Short Term Option Series may be \$0.50 or greater for option classes that trade in \$1 strike price intervals and are in the Short Term Option Series Program. If the class does not trade in \$1 strike price intervals, the strike price interval for Short Term Option Series may be \$0.50 or greater where the strike price is less than \$100 and \$1.00 or greater where the strike price is between \$100 and \$150, and \$2.50 or greater for strike prices greater than \$150.¹⁴ A non-Short Term Option series that is included in a class that has been selected to participate in the Short Term

Tuesday or Wednesday that is a business day (“Wednesday SPY Expiration Opening Date”) series of options on the SPDR S&P 500 ETF Trust (“SPY”) that expire at the close of business on each of the next five Wednesdays that are business days and are not Wednesdays on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The Exchange may have no more than a total of five Wednesday SPY Expirations. Non-Wednesday SPY Expirations (described in the paragraph above) are not included as part of this count. If the Exchange is not open for business on the respective Tuesday or Wednesday, the Wednesday SPY Expiration Opening Date will be the first business day immediately prior to that respective Tuesday or Wednesday. Similarly, if the Exchange is not open for business on a Wednesday, the expiration date for a Wednesday SPY Expiration will be the first business day immediately prior to that Wednesday. See Policy .02 of Exchange Rule 404.

¹² See Policy .02(c) of Exchange Rule 404.

¹³ See Policy .02(d) of Exchange Rule 404.

¹⁴ See Policy .02(e) of Exchange Rule 404.

Option Series Program is referred to as a “Related non-Short Term Option.” Notwithstanding any other provision regarding strike prices in Exchange Rule 404, Related non-Short Term Option series shall be opened during the month prior to expiration in the same manner as permitted in Exchange Rule 404, Interpretations and Policies .02, and in the same strike price intervals for the Short Term Option Series.¹⁵

The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 50 option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class.¹⁶

The Exchange notes that listings in the weekly program comprise a significant part of the standard listing in options markets and that over the five years the industry has observed a notable increase in the compound annual growth rate (“CAGR”) of weekly strikes as compared to CAGR for standard third-Friday expirations.¹⁷

Proposal

The Exchange proposes to limit the intervals between strikes in options listed as part of the Short Term Option Series Program that have an expiration date more than twenty-one days from the listing date, by adopting proposed Policy .11 to Exchange Rule 404, as well as

¹⁵ See Policy .02(e) of Exchange Rule 404.

¹⁶ See Policy .02(a) of Exchange Rule 404.

¹⁷ See Securities Exchange Act Release No. 91125 (February 12, 2021), 86 FR 10375 (February 19, 2021) (SR-BX-2020-032).

paragraph (f) of Policy .02 to Exchange Rule 404, with respect to listing Short Term Option Series in equity options, (excluding Exchange-Traded Fund Shares and ETNs) (collectively “Strike Interval Proposal”). The Exchange notes that this proposal is substantively identical to the strike interval proposal recently submitted by the Nasdaq BX exchange (“BX proposal”) and approved by the Commission.¹⁸

The Exchange’s Strike Interval Proposal would limit the intervals between strikes by utilizing the table proposed within Policy .11 of Exchange Rule 404. With the Strike Interval Proposal, the Exchange would limit intervals between strikes for expiration dates of option series beyond twenty-one days utilizing the below three-tiered table which considers both the share price and average daily volume for the option series.

Tier	Average Daily Volume	Share Price				
		Less than \$25	\$25 to less than \$75	\$75 to less than \$150	\$150 to less than \$500	\$500 or greater
1	Greater than 5,000	\$0.50	\$1.00	\$1.00	\$5.00	\$5.00
2	Greater than 1,000 to 5,000 ¹⁹	\$1.00	\$1.00	\$1.00	\$5.00	\$10.00
3	0 to 1,000	\$2.50	\$5.00	\$5.00	\$5.00	\$10.00

The table indicates the applicable strike intervals and supersedes Policy .02(d) of Rule 404, which currently allows the Exchange to open additional series for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price

¹⁸ See id.

¹⁹ The Exchange notes that while the term “greater than” is not present in this cell in the corresponding BX rule, the Exchange has inserted it for clarity, otherwise an Average Daily Volume of 1,000 contracts could be read to fall into two categories.

or prices of the series already opened. As a result of the proposal, Policy .02(d) would not permit an additional series of an equity option to have an expiration date more than 21 days from the listing date to be opened for trading on the Exchange despite the noted circumstances in Policy .02(d) when such additional series may otherwise be added.

The Share Price would be the closing price on the primary market on the last day of the calendar quarter. This value would be used to derive the column from which to apply strike intervals throughout the next calendar quarter. The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the calendar quarter prior to the last trading calendar quarter.²⁰ In the event of a corporate action, the Share Price of the surviving company would be utilized. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, notwithstanding the limitation imposed by proposed Policy .11 of Exchange Rule 404, this Strike Interval Proposal does not amend the range of strikes that may be listed pursuant to Policy .02 of Exchange Rule 404, regarding the Short Term Option Series Program.

By way of example, if the Share Price for a symbol was \$142 at the end of a calendar quarter, with an Average Daily Volume greater than 5,000, thereby, requiring strike intervals to be listed \$1.00 apart, that strike interval would apply for the calendar quarter, regardless of

²⁰ For example, options listed as of January 4, 2021 would be calculated on January 5, 2021 using the Average Daily Volume from July 1, 2020 to September 30, 2020.

whether the Share Price changed to greater than \$150 that calendar quarter. The proposed table within Policy .11 of Exchange Rule 404 takes into account the notional value of a security, as well as Average Daily Volume in the underlying stock, in order to limit the intervals between strikes in the Short Term Options listing program. The Exchange will utilize OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demand in the marketplace. The options series listed on the Exchange are intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.

The strike intervals for listing strikes in certain options are intended to remove repetitive and unnecessary strike listings across the weekly expiries. The Exchange's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality.

The proposal is intended to remove repetitive and unnecessary strike listings across the weekly expiries. Specifically, the proposal seeks to reduce the number of strikes listed in the furthest weeklies, which generally have wider markets and therefore lower market quality. The proposed strike intervals are intended to widen permissible strike intervals in multiply listed equity options (excluding options on ETFs and ETNs) where there is less volume as measured by the Average Daily Volume tiers. Therefore, the lower the Average Daily Volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, which the Exchange believes makes the finer proposed spread between strike intervals for those symbols appropriate. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between

strike intervals. Today, weeklies are available on 16% of underlying products. The proposal limits the density of strikes listed in series of options, without reducing the classes of options available for trading on the Exchange. Short Term Option Series with an expiration date greater than 21 days from the listing date currently equate to 7.5% of the total number of strikes in the options market, which equals 81,00 strikes.²¹ The Exchange expects this proposal to result in the limitation of approximately 20,000 strikes within the Short Term Option Series, which is approximately 2% of the total strikes in the options markets.²² The Exchange understands there has been an inconsistency of demand for series of options beyond 21 calendar days.²³ The proposal takes into account customer demand for certain option classes, by considering both the Share Price and the Average Daily Volume, in order to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,²⁴ rendering these strikes less useful. The Exchange also notes that the proposal focuses on strikes in multiply listed equity options, and excludes ETFs and ETNs, as the majority of strikes reside within equity options.

Additionally, proposed Policy .11 of Exchange Rule 404 provides that options that are newly eligible for listing pursuant to Exchange Rule 402 and designated to participate in the Short Term Option Series program pursuant to Policy .02 of Rule 404 will not be subject to

²¹ The Exchange notes that this proposal is an initial attempt at reducing strikes and anticipates filing additional proposals to continue reducing strikes. The percentage of underlying products and percentage of and total number of strikes, are approximations and may vary at the time of this filing.

²² From information drawn from the time period between January 2020 and May 2020. See BX proposal, supra note 17.

²³ See BX proposal, supra note 17.

²⁴ For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the money.

proposed Policy .11 of Exchange Rule 404 until after the end of the first full calendar quarter following the date the option class was first listed for trading on any options market.²⁵ As proposed, the Exchange is permitted to list options on newly eligible listing, without having to apply the wider strike intervals, until the end of the first full calendar after such options were listed. The proposal thereby permits the Exchange to add strikes to meet customer demand in a newly listed options class. A newly eligible option class may fluctuate in price after its initial listing; such volatility reflects a natural uncertainty about the security. By deferring the application of the proposed wider strike intervals until after the end of the first full calendar quarter, additional information on the underlying security will be available to market participants and public investors, as the price of the underlying has an opportunity to settle based on the price discovery that has occurred in the primary market during this deferment period. Also, the Exchange has the ability to list as many strikes as permissible for the Short Term Option Series once the expiry is no more than 21 days. Short Term Option Series that have an expiration date no more than 21 days from the listing date are not subject to the proposed strike intervals, which allows the Exchange to list additional, and potentially narrower, strikes in the event of market volatility or other market events. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, proposed Policy .11 of Rule 404 provides that the proposal does not amend the range of strikes that may be listed pursuant to Policy .02, regarding the Short Term Option Series Program.

²⁵ For example, if an options class became newly eligible for listing pursuant to Exchange Rule 402 on March 1, 2021 (and was actually listed for trading that day), the first full quarterly lookback would be available on July 1, 2021. This option would become subject to the proposed strike intervals on July 2, 2021.

While the current listing rules permit the Exchange to list a number of weekly strikes on its market, in an effort to encourage Market Makers²⁶ to deploy capital more efficiently, as well as improve displayed market quality, the Exchange's Strike Interval Proposal reduces the number of listed weekly options. As the Exchange's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Specifically, the Strike Interval Proposal aims to reduce the density of strike intervals that would be listed in later weeks, by creating limitations for intervals between strikes which have an expiration date more than twenty-one days from the listing date. The table takes into account customer demand for certain option classes, by considering both the Share Price and the Average Daily Volume, to arrive at the manner which weekly strike intervals may be listed. The intervals for listing strikes in equity options is intended to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,²⁷ rendering these strikes less useful.

The Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on MIAX Pearl Options and other affiliated markets. The Exchange intends to decrease the overall number of strikes listed on MIAX exchanges in a methodical fashion, so that it may monitor progress and feedback from its membership. While limiting the intervals between listed strikes is the goal of this rule change, the Exchange's Strike Interval Proposal is intended to balance that goal with the needs of market participants. The

²⁶ The term "Market Makers" refers to "Lead Market Makers", "Primary Lead Market Makers" and "Registered Market Makers" collectively. See Exchange Rule 100.

²⁷ For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the-money.

Exchange believes that various strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet the market participant's investment objective.

Implementation

The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 90 days following the operative date of the proposed rule. The implementation date will be no later than 90 days following the issuance of the Regulatory Circular. The Exchange will issue a notice to its Members²⁸ whenever the Exchange is the first exchange to list an eligible Short Term Option Series pursuant to Policy .11 of Exchange Rule 404.²⁹

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act³⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act³¹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions

²⁸ The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

²⁹ When the Exchange is the first exchange to list an option class under Policy .11 of Exchange Rule 404 the Exchange shall provide a notice to its Members regarding the Short Term Option Series to be listed. Such notice will include for each eligible option class: the closing price of the underlying, the Average Daily Volume of the option class; and the eligible strike category (per the proposed table) in which the eligible option class falls under as a result of the closing price and the Average Daily Volume.

³⁰ 15 U.S.C. 78f(b).

³¹ 15 U.S.C. 78f(b)(5).

in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Strike Proposal seeks to limit the intervals between the strikes listed in the Short Term Options Series program that have an expiration date more than twenty-one days. While the current listing rules permit the Exchange to list a number of weekly strikes on its market, the Exchange's Strike Interval Proposal removes impediments to and perfects the mechanism of a free and open market and a national market system by encouraging Market Makers to deploy capital more efficiently and improving market quality overall on the Exchange through limiting the intervals between the strikes when applying the strike interval table to multiply listed equity options that have an expiration date more than twenty-one days from the listing date. Also, as the Exchange's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Amending the Exchange's listing rules to limit the intervals between strikes for multiply listed equity options that have an expiration date more than twenty-one days causes less disruption in the market as the majority of the volume traded in weekly options exists in options series which have an expiration date of twenty-one days or less. The Exchange's Strike Interval Proposal curtails the number of strike intervals listed in series of options without reducing the number of classes of options available for trading on the Exchange.

The Strike Interval Program takes into account customer demand for certain option classes by considering both the Share Price and the Average Daily Volume in the underlying security to arrive at the manner in which weekly strike intervals would be listed in the later weeks for each multiply listed equity options class. The Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-

cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demands in the marketplace. The options series listed on the Exchange is intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.

The Strike Interval Proposal for listing strikes in certain multiply listed equity options is intended to remove certain strikes where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs that renders the strikes less useful and thereby protects investors and the general public by removing an abundance of unnecessary choices for an options series, while also improving market quality. The Exchange's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets, and, therefore, lower market quality. The implementation of the proposed table is intended to spread strike intervals in multiply listed equity options, where there is less volume that is measured by the average daily volume tiers. Therefore, the lower the average daily volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on OCC Customer-cleared volume. Utilizing the second trading day allows the Exchange to accumulate data regarding OCC Customer-cleared volume from the entire prior quarter. Beginning on the second trading day would allow trades executed on the last day of the previous

calendar quarter to have settled³² and be accounted for in the calculation of Average Daily Volume. Utilizing the previous three months is appropriate because this time period would help reduce the impact of unusual trading activity as a result of unique market events, such as a corporate action (i.e., it would result in a more reliable measure of average daily trading volume than would a shorter period).

Today, the Exchange requires Market Makers to quote a certain amount of time in the trading day in their assigned due options series to maintain liquidity in the market.³³ With an increasing number of strikes due to tighter intervals being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes listed on the Exchange and thereby allow Market Makers to expend their capital in the options market in a more efficient manner that removes impediments to and perfects the mechanism of a free and open market and a national market system. The Exchange also believes that this Strike Interval Proposal would improve overall market quality on the Exchange for the protection of investors and the general public by limiting the intervals between strikes when applying the strike interval table to multiply listed equity options which have an expiration date more than twenty-one days from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed option series listed on the Exchange and other affiliated markets. The Exchange intends to decrease the overall number of strikes listed on the MIAX exchanges in a methodical

³² Options contracts settle one business day after trade date. Strike listing determinations are made the day prior to the start of trading in each series.

³³ See Exchange Rule 604(e)(1); 604(e)(2); and 604(e)(3).

fashion in order that it may monitor progress and feedback from its membership. While limiting the intervals between strikes listed is the goal of this rule change, the Exchange's Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

The Exchange notes that its proposal is substantively identical to the strike interval proposal recently submitted by the Nasdaq BX exchange and approved by the Commission.³⁴ The Exchange notes that it has reviewed the data presented in the BX proposal and agrees with the analysis of the data as presented in the BX proposal. The Exchange believes the varied strike intervals will continue to offer market participants the ability to select the appropriate strike interval to meet that market participants' investment objectives.

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. The Strike Interval Proposal limits the number of Short Term Options Series strike intervals available for quoting and trading on the Exchange for all Exchange participants. While the current listing rules permit the Exchange to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, the Exchange's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, without reducing the number of series or classes of options available for trading on the Exchange. As the Exchange's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later

³⁴ See supra note 17.

weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal.

The Exchange's Strike Interval Proposal, which is intended to decrease the overall number of strikes listed on the Exchange, does not impose an undue burden on intra-market competition as all Participants may only transact options in the strike intervals listed for trading on the Exchange. While limiting the intervals of strikes listed on the Exchange is the goal of this Strike Interval Proposal, the goal continues to balance the needs of market participants by continuing to offer a number of strikes to meet a market participant's investment objective.

The Exchange's Strike Interval Proposal does not impose an undue burden on inter-market competition as this Strike Interval Proposal does not impact the listings available at another self-regulatory organization. In fact, the Exchange is proposing to list a smaller amount of weekly equity options in an effort to curtail the increasing number of strikes that are required to be quoted by market makers in the options industry. Other options markets may choose to replicate the Exchange's Strike Interval Proposal and, thereby, further decrease the overall number of strikes within the options industry.

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

The Exchange has neither solicited nor received comments on the proposed rule change.

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 its proposal does not significantly affect the protection of investors or the public interest but rather promotes the protection of investors and the public interest as it improves market quality by removing unnecessary strikes. Market Makers assigned in option series are obligated to provide quotes a certain amount of time during the trading day to maintain liquidity in the market.³⁷ The Exchange believes that its proposal would limit the intervals between strikes listed on the Exchange and thereby allow Market Makers to expend their capital in the options market in a more efficient manner.

The Exchange's proposal is intended to remove certain strikes where there exist clusters of strikes whose characteristics closely resemble on another. The proposal takes into account customer demand for certain option classes by considering both the Share Price and the Average Daily Volume. While limiting the intervals between strikes listed is the goal of this proposed rule change, the Exchange's proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market

³⁵ 15 U.S.C. 78s(b)(3)(A).

³⁶ 17 CFR 240.19b-4(f)(6).

³⁷ See supra note 33.

participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

The Exchange does not believe the proposal will significantly affect the protection of investors or the public interest because the proposal is substantively identical to the strike interval proposal recently submitted by Nasdaq BX and approved by the Commission.³⁸

The Exchange does not believe its proposal imposes any significant burden on competition as this proposal does not impact the listings available at other self-regulatory organizations. The Exchange is proposing to list a smaller amount of weekly equity options in an effort to curtail the increasing number of strikes that are required to be quoted by market makers in the options industry. The Exchange anticipates that other options markets may choose to replicate the Exchange's Strike Interval Proposal and, thereby, further decrease the overall number of strikes within the options industry.

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. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act³⁹ normally does not become operative for 30 days after the date of its filing.

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

³⁸ See supra note 17.

³⁹ 17 CFR 240.19b-4(f)(6).

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 proposal is substantively identical to a recent Nasdaq BX rule change.⁴⁰ Further, the Exchange anticipates that other option exchanges will file similar proposals.

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.

⁴⁰ See Supplementary Material .03(f) of Options 4, Section 5; and Supplementary Material .07 of Options 4, Section 5 of Nasdaq BX exchange rules.

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-PEARL-2021-19)

April__, 2021

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC to Amend Exchange Rule 404, Series of Option Contracts Open for Trading

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 22, 2021, MIAX PEARL, LLC (“MIAX Pearl”) or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend Exchange Rule 404, Series of Option Contracts Open for Trading.

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Rule 404, Series of Option Contracts Open for Trading. Specifically, this proposal seeks to limit the intervals between strikes for multiply listed equity options classes within the Short Term Options Series program that have an expiration date more than twenty-one days from the listing date.

Background

Today, Exchange Rule 404 permits the Exchange, after a particular class of options (call option contracts or put option contracts relating to a specific underlying stock, Exchange-Traded Fund Share,³ or ETNs) has been approved for listing and trading on the Exchange, to open for trading series of options therein. The Exchange may list series of options for trading on a weekly,⁴ monthly,⁵ or quarterly⁶ basis. Exchange Rule 404(d) sets forth the intervals between

³ Securities deemed appropriate for options trading shall include share or other securities (“Exchange-Traded Fund Shares”) that are traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS. See Exchange Rule 402(i).

⁴ The weekly listing program is known as the Short Term Options Series Program and is described in Policy .02 of Exchange Rule 404.

⁵ Except as other provided in Exchange Rule 404 and Interpretations and Policies hereto, at the commencement of trading on the Exchange of a particular type of option of a class of options, the Exchange shall open a minimum of one expiration month and series for each class of options open for trading on the Exchange. See Exchange Rule 404(b).

⁶ The quarterly listing program is known as the Quarterly Options Series Program and is described in Policy .03 of Exchange Rule 404.

strike prices of series of options on individual stocks.⁷ In addition to those intervals, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,⁸ the \$0.50 Strike Program,⁹ and the \$2.50 Strike Price Program.¹⁰

The Exchange's proposal seeks to amend the listing of weekly series of options as proposed within Policy .02(f) of Exchange Rule 404, by limiting the intervals between strikes in multiply listed equity options, excluding Exchange-Traded Fund Shares and ETNs, that have an expiration date more than twenty-one days from the listing date. This proposal does not amend monthly or quarterly listing rules nor does it amend the \$1 Strike Price Interval Program, the \$0.50 Strike Program, or the \$2.50 Strike Price Program.

Short Term Options Series Program

Today, Policy .02 of Exchange Rule 404 permits the Exchange to open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on an option class that expires at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"), provided an option class has been approved for listing and trading on the Exchange.¹¹ Today, the Exchange may open up to thirty initial series

⁷ Except as otherwise provided in Interpretations and Policies of Exchange Rule 404, the interval between strike prices of series of options on individual stocks will be: (1) \$2.50 or greater where the strike price is \$25.00 or less; (2) \$5.00 or greater where the strike price is greater than \$25.00; and (3) \$10.00 or greater where the strike price is greater than \$200.00.

⁸ The \$1 Strike Price Interval Program is described within Policy .01 of Exchange Rule 404.

⁹ The \$0.50 Strike Program is described in Policy .04 of Exchange Rule 404.

¹⁰ The \$2.50 Strike Price Program is described in Exchange Rule 404(f).

¹¹ The Exchange may have no more than a total of five Short Term Option Expiration Dates. Monday and Wednesday SPY Expirations (described in the paragraph below) are not included as part of this count. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day

for each option class that participates in the Short Term Options Series Program.¹² Further, if the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.¹³

The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date. The strike price interval for Short Term Option Series may be \$0.50 or greater for option classes that trade in \$1 strike price intervals and are in the Short Term Option Series Program. If the class does not trade in \$1 strike price intervals, the strike price interval for Short Term Option Series may be \$0.50 or greater where the strike price is less than \$100 and \$1.00 or greater where the strike price is between \$100 and \$150, and \$2.50 or greater for strike prices greater than \$150.¹⁴ A non-Short Term

immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. The Exchange may open for trading on any Tuesday or Wednesday that is a business day (“Wednesday SPY Expiration Opening Date”) series of options on the SPDR S&P 500 ETF Trust (“SPY”) that expire at the close of business on each of the next five Wednesdays that are business days and are not Wednesdays on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The Exchange may have no more than a total of five Wednesday SPY Expirations. Non-Wednesday SPY Expirations (described in the paragraph above) are not included as part of this count. If the Exchange is not open for business on the respective Tuesday or Wednesday, the Wednesday SPY Expiration Opening Date will be the first business day immediately prior to that respective Tuesday or Wednesday. Similarly, if the Exchange is not open for business on a Wednesday, the expiration date for a Wednesday SPY Expiration will be the first business day immediately prior to that Wednesday. See Policy .02 of Exchange Rule 404.

¹² See Policy .02(c) of Exchange Rule 404.

¹³ See Policy .02(d) of Exchange Rule 404.

¹⁴ See Policy .02(e) of Exchange Rule 404.

Option series that is included in a class that has been selected to participate in the Short Term Option Series Program is referred to as a “Related non-Short Term Option.” Notwithstanding any other provision regarding strike prices in Exchange Rule 404, Related non-Short Term Option series shall be opened during the month prior to expiration in the same manner as permitted in Exchange Rule 404, Interpretations and Policies .02, and in the same strike price intervals for the Short Term Option Series.¹⁵

The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 50 option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class.¹⁶

The Exchange notes that listings in the weekly program comprise a significant part of the standard listing in options markets and that over the five years the industry has observed a notable increase in the compound annual growth rate (“CAGR”) of weekly strikes as compared to CAGR for standard third-Friday expirations.¹⁷

Proposal

The Exchange proposes to limit the intervals between strikes in options listed as part of the Short Term Option Series Program that have an expiration date more than twenty-one days

¹⁵ See Policy .02(e) of Exchange Rule 404.

¹⁶ See Policy .02(a) of Exchange Rule 404.

¹⁷ See Securities Exchange Act Release No. 91125 (February 12, 2021), 86 FR 10375 (February 19, 2021) (SR-BX-2020-032).

from the listing date, by adopting proposed Policy .11 to Exchange Rule 404, as well as paragraph (f) of Policy .02 to Exchange Rule 404, with respect to listing Short Term Option Series in equity options, (excluding Exchange-Traded Fund Shares and ETNs) (collectively “Strike Interval Proposal”). The Exchange notes that this proposal is substantively identical to the strike interval proposal recently submitted by the Nasdaq BX exchange (“BX proposal”) and approved by the Commission.¹⁸

The Exchange’s Strike Interval Proposal would limit the intervals between strikes by utilizing the table proposed within Policy .11 of Exchange Rule 404. With the Strike Interval Proposal, the Exchange would limit intervals between strikes for expiration dates of option series beyond twenty-one days utilizing the below three-tiered table which considers both the share price and average daily volume for the option series.

Tier	Average Daily Volume	Share Price				
		Less than \$25	\$25 to less than \$75	\$75 to less than \$150	\$150 to less than \$500	\$500 or greater
1	Greater than 5,000	\$0.50	\$1.00	\$1.00	\$5.00	\$5.00
2	Greater than 1,000 to 5,000 ¹⁹	\$1.00	\$1.00	\$1.00	\$5.00	\$10.00
3	0 to 1,000	\$2.50	\$5.00	\$5.00	\$5.00	\$10.00

The table indicates the applicable strike intervals and supersedes Policy .02(d) of Rule 404, which currently allows the Exchange to open additional series for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand

¹⁸ See id.

¹⁹ The Exchange notes that while the term “greater than” is not present in this cell in the corresponding BX rule, the Exchange has inserted it for clarity, otherwise an Average Daily Volume of 1,000 contracts could be read to fall into two categories.

or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. As a result of the proposal, Policy .02(d) would not permit an additional series of an equity option to have an expiration date more than 21 days from the listing date to be opened for trading on the Exchange despite the noted circumstances in Policy .02(d) when such additional series may otherwise be added.

The Share Price would be the closing price on the primary market on the last day of the calendar quarter. This value would be used to derive the column from which to apply strike intervals throughout the next calendar quarter. The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the calendar quarter prior to the last trading calendar quarter.²⁰ In the event of a corporate action, the Share Price of the surviving company would be utilized. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, notwithstanding the limitation imposed by proposed Policy .11 of Exchange Rule 404, this Strike Interval Proposal does not amend the range of strikes that may be listed pursuant to Policy .02 of Exchange Rule 404, regarding the Short Term Option Series Program.

By way of example, if the Share Price for a symbol was \$142 at the end of a calendar quarter, with an Average Daily Volume greater than 5,000, thereby, requiring strike intervals to be listed \$1.00 apart, that strike interval would apply for the calendar quarter, regardless of

²⁰ For example, options listed as of January 4, 2021 would be calculated on January 5, 2021 using the Average Daily Volume from July 1, 2020 to September 30, 2020.

whether the Share Price changed to greater than \$150 that calendar quarter. The proposed table within Policy .11 of Exchange Rule 404 takes into account the notional value of a security, as well as Average Daily Volume in the underlying stock, in order to limit the intervals between strikes in the Short Term Options listing program. The Exchange will utilize OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demand in the marketplace. The options series listed on the Exchange are intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.

The strike intervals for listing strikes in certain options are intended to remove repetitive and unnecessary strike listings across the weekly expiries. The Exchange's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality.

The proposal is intended to remove repetitive and unnecessary strike listings across the weekly expiries. Specifically, the proposal seeks to reduce the number of strikes listed in the furthest weeklies, which generally have wider markets and therefore lower market quality. The proposed strike intervals are intended to widen permissible strike intervals in multiply listed equity options (excluding options on ETFs and ETNs) where there is less volume as measured by the Average Daily Volume tiers. Therefore, the lower the Average Daily Volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, which the Exchange believes makes the finer proposed spread between strike intervals for those symbols appropriate. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals. Today, weeklies are available on 16% of underlying products. The proposal

limits the density of strikes listed in series of options, without reducing the classes of options available for trading on the Exchange. Short Term Option Series with an expiration date greater than 21 days from the listing date currently equate to 7.5% of the total number of strikes in the options market, which equals 81,00 strikes.²¹ The Exchange expects this proposal to result in the limitation of approximately 20,000 strikes within the Short Term Option Series, which is approximately 2% of the total strikes in the options markets.²² The Exchange understands there has been an inconsistency of demand for series of options beyond 21 calendar days.²³ The proposal takes into account customer demand for certain option classes, by considering both the Share Price and the Average Daily Volume, in order to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,²⁴ rendering these strikes less useful. The Exchange also notes that the proposal focuses on strikes in multiply listed equity options, and excludes ETFs and ETNs, as the majority of strikes reside within equity options.

Additionally, proposed Policy .11 of Exchange Rule 404 provides that options that are newly eligible for listing pursuant to Exchange Rule 402 and designated to participate in the Short Term Option Series program pursuant to Policy .02 of Rule 404 will not be subject to proposed Policy .11 of Exchange Rule 404 until after the end of the first full calendar quarter

²¹ The Exchange notes that this proposal is an initial attempt at reducing strikes and anticipates filing additional proposals to continue reducing strikes. The percentage of underlying products and percentage of and total number of strikes, are approximations and may vary at the time of this filing.

²² From information drawn from the time period between January 2020 and May 2020. See BX proposal, supra note 17.

²³ See BX proposal, supra note 17.

²⁴ For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the money.

following the date the option class was first listed for trading on any options market.²⁵ As proposed, the Exchange is permitted to list options on newly eligible listing, without having to apply the wider strike intervals, until the end of the first full calendar after such options were listed. The proposal thereby permits the Exchange to add strikes to meet customer demand in a newly listed options class. A newly eligible option class may fluctuate in price after its initial listing; such volatility reflects a natural uncertainty about the security. By deferring the application of the proposed wider strike intervals until after the end of the first full calendar quarter, additional information on the underlying security will be available to market participants and public investors, as the price of the underlying has an opportunity to settle based on the price discovery that has occurred in the primary market during this deferment period. Also, the Exchange has the ability to list as many strikes as permissible for the Short Term Option Series once the expiry is no more than 21 days. Short Term Option Series that have an expiration date no more than 21 days from the listing date are not subject to the proposed strike intervals, which allows the Exchange to list additional, and potentially narrower, strikes in the event of market volatility or other market events. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, proposed Policy .11 of Rule 404 provides that the proposal does not amend the range of strikes that may be listed pursuant to Policy .02, regarding the Short Term Option Series Program.

While the current listing rules permit the Exchange to list a number of weekly strikes on its market, in an effort to encourage Market Makers²⁶ to deploy capital more efficiently, as well

²⁵ For example, if an options class became newly eligible for listing pursuant to Exchange Rule 402 on March 1, 2021 (and was actually listed for trading that day), the first full quarterly lookback would be available on July 1, 2021. This option would become subject to the proposed strike intervals on July 2, 2021.

²⁶ The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and “Registered Market Makers” collectively. See Exchange Rule 100.

as improve displayed market quality, the Exchange's Strike Interval Proposal reduces the number of listed weekly options. As the Exchange's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Specifically, the Strike Interval Proposal aims to reduce the density of strike intervals that would be listed in later weeks, by creating limitations for intervals between strikes which have an expiration date more than twenty-one days from the listing date. The table takes into account customer demand for certain option classes, by considering both the Share Price and the Average Daily Volume, to arrive at the manner which weekly strike intervals may be listed. The intervals for listing strikes in equity options is intended to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,²⁷ rendering these strikes less useful.

The Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on MIAX Pearl Options and other affiliated markets. The Exchange intends to decrease the overall number of strikes listed on MIAX exchanges in a methodical fashion, so that it may monitor progress and feedback from its membership. While limiting the intervals between listed strikes is the goal of this rule change, the Exchange's Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that various strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet the market participant's investment objective.

Implementation

²⁷ For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the-money.

The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 90 days following the operative date of the proposed rule. The implementation date will be no later than 90 days following the issuance of the Regulatory Circular. The Exchange will issue a notice to its Members²⁸ whenever the Exchange is the first exchange to list an eligible Short Term Option Series pursuant to Policy .11 of Exchange Rule 404.²⁹

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act³⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act³¹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Strike Proposal seeks to limit the intervals between the strikes listed in the Short Term Options Series program that have an expiration date more than twenty-one days. While the current listing rules permit the Exchange to list a number of weekly strikes on its market, the

²⁸ The term “Member” means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

²⁹ When the Exchange is the first exchange to list an option class under Policy .11 of Exchange Rule 404 the Exchange shall provide a notice to its Members regarding the Short Term Option Series to be listed. Such notice will include for each eligible option class: the closing price of the underlying, the Average Daily Volume of the option class; and the eligible strike category (per the proposed table) in which the eligible option class falls under as a result of the closing price and the Average Daily Volume.

³⁰ 15 U.S.C. 78f(b).

³¹ 15 U.S.C. 78f(b)(5).

Exchange's Strike Interval Proposal removes impediments to and perfects the mechanism of a free and open market and a national market system by encouraging Market Makers to deploy capital more efficiently and improving market quality overall on the Exchange through limiting the intervals between the strikes when applying the strike interval table to multiply listed equity options that have an expiration date more than twenty-one days from the listing date. Also, as the Exchange's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Amending the Exchange's listing rules to limit the intervals between strikes for multiply listed equity options that have an expiration date more than twenty-one days causes less disruption in the market as the majority of the volume traded in weekly options exists in options series which have an expiration date of twenty-one days or less. The Exchange's Strike Interval Proposal curtails the number of strike intervals listed in series of options without reducing the number of classes of options available for trading on the Exchange.

The Strike Interval Program takes into account customer demand for certain option classes by considering both the Share Price and the Average Daily Volume in the underlying security to arrive at the manner in which weekly strike intervals would be listed in the later weeks for each multiply listed equity options class. The Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demands in the marketplace. The options series listed on the Exchange is intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.

The Strike Interval Proposal for listing strikes in certain multiply listed equity options is intended to remove certain strikes where there exist clusters of strikes whose characteristics

closely resemble one another and, therefore, do not serve different trading needs that renders the strikes less useful and thereby protects investors and the general public by removing an abundance of unnecessary choices for an options series, while also improving market quality. The Exchange's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets, and, therefore, lower market quality. The implementation of the proposed table is intended to spread strike intervals in multiply listed equity options, where there is less volume that is measured by the average daily volume tiers. Therefore, the lower the average daily volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on OCC Customer-cleared volume. Utilizing the second trading day allows the Exchange to accumulate data regarding OCC Customer-cleared volume from the entire prior quarter. Beginning on the second trading day would allow trades executed on the last day of the previous calendar quarter to have settled³² and be accounted for in the calculation of Average Daily Volume. Utilizing the previous three months is appropriate because this time period would help reduce the impact of unusual trading activity as a result of unique market events, such as a corporate action (i.e., it would result in a more reliable measure of average daily trading volume than would a shorter period).

³² Options contracts settle one business day after trade date. Strike listing determinations are made the day prior to the start of trading in each series.

Today, the Exchange requires Market Makers to quote a certain amount of time in the trading day in their assigned due options series to maintain liquidity in the market.³³ With an increasing number of strikes due to tighter intervals being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes listed on the Exchange and thereby allow Market Makers to expend their capital in the options market in a more efficient manner that removes impediments to and perfects the mechanism of a free and open market and a national market system. The Exchange also believes that this Strike Interval Proposal would improve overall market quality on the Exchange for the protection of investors and the general public by limiting the intervals between strikes when applying the strike interval table to multiply listed equity options which have an expiration date more than twenty-one days from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed option series listed on the Exchange and other affiliated markets. The Exchange intends to decrease the overall number of strikes listed on the MIAX exchanges in a methodical fashion in order that it may monitor progress and feedback from its membership. While limiting the intervals between strikes listed is the goal of this rule change, the Exchange's Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

³³ See Exchange Rule 604(e)(1); 604(e)(2); and 604(e)(3).

The Exchange notes that its proposal is substantively identical to the strike interval proposal recently submitted by the Nasdaq BX exchange and approved by the Commission.³⁴

The Exchange notes that it has reviewed the data presented in the BX proposal and agrees with the analysis of the data as presented in the BX proposal. The Exchange believes the varied strike intervals will continue to offer market participants the ability to select the appropriate strike interval to meet that market participants' investment objectives.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Strike Interval Proposal limits the number of Short Term Options Series strike intervals available for quoting and trading on the Exchange for all Exchange participants. While the current listing rules permit the Exchange to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, the Exchange's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, without reducing the number of series or classes of options available for trading on the Exchange. As the Exchange's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal.

The Exchange's Strike Interval Proposal, which is intended to decrease the overall number of strikes listed on the Exchange, does not impose an undue burden on intra-market competition as all Participants may only transact options in the strike intervals listed for trading

³⁴ See supra note 17.

on the Exchange. While limiting the intervals of strikes listed on the Exchange is the goal of this Strike Interval Proposal, the goal continues to balance the needs of market participants by continuing to offer a number of strikes to meet a market participant's investment objective.

The Exchange's Strike Interval Proposal does not impose an undue burden on inter-market competition as this Strike Interval Proposal does not impact the listings available at another self-regulatory organization. In fact, the Exchange is proposing to list a smaller amount of weekly equity options in an effort to curtail the increasing number of strikes that are required to be quoted by market makers in the options industry. Other options markets may choose to replicate the Exchange's Strike Interval Proposal and, thereby, further decrease the overall number of strikes within the options industry.

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.

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-2021-19 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-2021-19. 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-2021-19 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 404. Series of Option Contracts Open for Trading

(a) – (g) No change.

Interpretations and Policies:

.01 \$1 Strike Price Interval Program.

(a) – (f) No change.

.02 Short Term Option Series Program. After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). The Exchange may have no more than a total of five Short Term Option Expiration Dates. Monday and Wednesday SPY Expirations (described in the paragraph below) are not included as part of this count. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.

The Exchange may open for trading on any Tuesday or Wednesday that is a business day (“Wednesday SPY Expiration Opening Date”) series of options on the SPDR S&P 500 ETF Trust (“SPY”) that expire at the close of business on each of the next five Wednesdays that are business days and are not Wednesdays on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The Exchange may have no more than a total of five Wednesday SPY Expirations. Non-Wednesday SPY Expirations (described in the paragraph above) are not included as part of this count. If the Exchange is not open for business on the respective Tuesday or Wednesday, the Wednesday SPY Expiration Opening Date will be the first business day immediately prior to that respective Tuesday or Wednesday. Similarly, if the Exchange is not open for business on a Wednesday, the expiration date for a Wednesday SPY Expiration will be the first business day immediately prior to that Wednesday. References to “Short Term Option Series” below shall be read to include “Wednesday SPY Expirations,” except where indicated otherwise.

With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (“SPY”) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire (“Wednesday SPY Expirations”). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire (“Monday SPY Expirations”), provided that Monday SPY Expirations that are listed on Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule.

Regarding Short Term Option Series:

(a) – (e) No change.

(f) Notwithstanding (e) above, when Short Term Options Series in equity options, excluding Exchange-Traded Funds (“ETFs”) and ETNs, have an expiration more than twenty-one days from the listing date, the strike interval for each options class shall be based on the table within Policy .11.

.03 – .10 No change.

.11 With respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs, which have an expiration date more than twenty-one days from the listing date, the following table will apply as noted within Policy .02(f). The below table indicates the applicable strike intervals and supersedes Policy.02(d) which permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

<u>Tier</u>	<u>Average Daily Volume</u>	<u>Share Price</u>				
		<u>Less than \$25</u>	<u>\$25 to less than \$75</u>	<u>\$75 to less than \$150</u>	<u>\$150 to less than \$500</u>	<u>\$500 or greater</u>
<u>1</u>	<u>Greater than 5,000</u>	<u>\$0.50</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$5.00</u>	<u>\$5.00</u>
<u>2</u>	<u>Greater than 1,000 to 5,000</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$5.00</u>	<u>\$10.00</u>

<u>3</u>	<u>0 to 1,000</u>	<u>\$2.50</u>	<u>\$5.00</u>	<u>\$5.00</u>	<u>\$5.00</u>	<u>\$10.00</u>
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The Share Price is the closing price on the primary market on the last day of the calendar quarter. In the event of a corporate action, the Share Price of the surviving company is utilized.

The Average Daily Volume is the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at The Options Clearing Corporation. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the quarter prior to the last trading calendar quarter.

Short Term Options Series that are newly eligible for listing pursuant to Exchange Rule 402 will not be subject to this proposed Policy .11 until after the end of the first full calendar quarter following the date the option class was first listed for trading on any options market.

Notwithstanding the limitations imposed by this Policy .11, this proposal does not amend the range of strikes that may be listed pursuant to Policy .02 above, regarding the Short Term Option Series Program.
