

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

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

##### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2018-15 on the subject line.

##### *Paper Comments*

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

All submissions should refer to File Number SR-NYSEArca-2018-15. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2018-15, and should be submitted on or before April 13, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34-82901; File Nos. SR-LCH SA-2017-012 and SR-LCH SA-2017-013]**

### **Self-Regulatory Organizations; LCH SA; Order Instituting Proceedings To Determine Whether To Approve or Disapprove Proposed Rule Changes Related to LCH SA's Recovery and Wind Down Plans**

March 19, 2018.

#### **I. Introduction**

On November 30, 2017, Banque Centrale de Compensation, which conducts business under the name LCH SA ("LCH SA"), filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change (LCH SA-2017-012) to adopt a recovery plan (the "RP"). The proposed rule change was published for comment in the **Federal Register** on December 19, 2017.<sup>3</sup> On December 7, 2017, LCH SA filed with the Commission a proposed rule change (LCH SA-2017-013) to adopt a wind down plan ("WDP").<sup>4</sup> The proposed rule change was published for comment in the **Federal Register** on December 19, 2017.<sup>5</sup> On January 23, 2018, the Commission designated a longer period for Commission action on both proposed rule changes.<sup>6</sup> To date, the Commission has not received any comments on the proposed rule changes. The Commission is publishing this order to institute proceedings pursuant to Section 19(b)(2)(B)<sup>7</sup> of the

<sup>32</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Securities Exchange Act Release No. 34-82316 (Dec. 13, 2017), 82 FR 60246 (Dec. 19, 2017) (SR-LCH-SA-2017-012) ("Notice 012").

<sup>4</sup> Capitalized terms used in this order but not defined herein have the same meanings specified in LCH SA's rules.

<sup>5</sup> Securities Exchange Act Release No. 34-82317 (Dec. 13, 2017), 82 FR 60238 (Dec. 19, 2017) (SR-LCH-SA-2017-013) ("Notice 013").

<sup>6</sup> Securities Exchange Act Release No. 34-82570 (Jan. 23, 2018), 83 FR 4088 (Jan. 29, 2018) and Securities Exchange Act Release No. 34-82571 (Jan. 23, 2018), 83 FR 4081 (Jan. 29, 2018).

<sup>7</sup> 15 U.S.C. 78s(b)(2)(B).

Act to determine whether to approve or disapprove the proposed rule changes.

Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to the proposed rule changes, nor does it mean that the Commission will ultimately disapprove the proposed rule changes. Rather, as discussed below, the Commission seeks additional input on the proposed rule changes and issues presented by the proposed rule changes.

#### **II. Description of the Proposed Rule Changes<sup>8</sup>**

As a "covered clearing agency,"<sup>9</sup> LCH SA is required to, among other things, "establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which . . . includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses."<sup>10</sup> The Commission has previously clarified that it believes that such recovery and wind-down plans are "rules" within the meaning of Exchange Act section 19(b) and Rule 19b-4 because such plans would constitute changes to a stated policy, practice or interpretation of a covered clearing agency.<sup>11</sup> Accordingly, a covered clearing agency, such as LCH SA, must file its RP and WDP with the Commission.

##### *A. The RP (LCH SA-2017-012)*

The Commission has previously explained that the term "recovery" refers to action taken to allow a financial company that is non-viable as a going concern or insolvent to sustain its critical operations and services.<sup>12</sup> To that end, LCH SA's RP seeks to maintain the continuity of critical services in times of extreme stress and to facilitate the recovery of LCH SA from such stress. In particular, the RP describes (i) the scenarios and triggers for initiating recovery measures; (ii) various recovery tools used in such recovery; and (iii) the governance framework for managing the

<sup>8</sup> The descriptions of the proposed rule changes are substantially excerpted from Notice 012 and Notice 013.

<sup>9</sup> The term "covered clearing agency" is defined in SEC Rule 17Ad-22(a)(5), 17 CFR 240.17Ad-22(a)(5).

<sup>10</sup> 17 CFR 240.17Ad-22(e)(3)(ii).

<sup>11</sup> Standards for Covered Clearing Agencies, Securities Exchange Act Release No. 34-78961 (Sep. 28, 2016), 81 FR 70786, 70809 (Oct. 13, 2016).

<sup>12</sup> *Id.* at 70808, n. 251.

RP. Each of those aspects of the RP are discussed in more detail below.

The scenarios that could necessitate the implementation of the RP include the default of one or more clearing members, liquidity shortfalls as a result of the default of an investment counterparty of LCH SA or any other investment losses resulting from changes in the market value on the investments, a loss resulting from an event which impacts the critical services provided by LCH SA (e.g., failure in the provision of service by a third party), loss of critical contracts with exchanges, or the operational or financial failure of a financial market infrastructure such as an allied clearing house or trade repository.<sup>13</sup>

The default management process is used to re-establish a matched book and return to business as usual and therefore LCH SA considers it to be a recovery tool.<sup>14</sup> When pre-funded resources, such as defaulter's margin, defaulter's default fund contributions, LCH SA's capital, and non-defaulters' default fund contributions, are no longer available to meet obligations due to member and non-member losses, the RP lists various measures or tools that LCH SA can use to return to business as usual.<sup>15</sup> The RP is organized to discuss each tool by the nature of the loss (e.g., clearing member default losses, liquidity shortfalls, operational, business, and investment risks). The RP also discusses the sequence in which these tools would be used and the relative strength of each.<sup>16</sup>

When pre-funded resources have been exhausted after a clearing member default, LCH SA can call a default fund assessment up to a cap, request voluntary payments from all non-defaulting members, and effectuate service closure.<sup>17</sup> In the event such tools are unavailable certain other business as usual tools, such as default fund additional margin, may enable LCH SA to collect additional resources.

In the event of a liquidity shortfall, LCH SA may use its central bank credit line to deposit securities received on behalf of defaulting clearing members and obtain liquidity.<sup>18</sup> Other potential tools to manage a liquidity stress situation are limits with respect to illiquid collateral, the application of increased haircuts on certain types of collateral to incentivize the use of more liquid collateral, or specific liquidity

margins.<sup>19</sup> LCH SA could also defer funding for the settlement platform for a limited period of time but views this as a tool of last resort.<sup>20</sup>

For most investment, business, and operational losses, LCH SA can allocate its capital surplus against losses.<sup>21</sup> Further down the list of preferable recovery tools for non-clearing member defaults are the abilities to raise capital or utilize insurance meant to cover a specific operational risk event.<sup>22</sup> For any disruption or loss of key third-party service provider, LCH SA would be able to exercise several contractual rights and maintains exit plans which are intended to safeguard the continuity of services.<sup>23</sup>

The RP discusses the governance surrounding its creation, invocation, and operation.<sup>24</sup> LCH SA relies upon its existing governance forums for both the creation and on-going monitoring and operation of the RP. Specifically, the LCH SA Management Committee is responsible for the preparation of the RP and the monitoring and implementation of the recovery tools set forth in the RP.<sup>25</sup> The LCH SA Risk Committee reviews and makes a recommendation to the Board, who ultimately has the power to approve the RP.<sup>26</sup> However, before submission to the LCH SA Risk Committee, the RP is reviewed and validated by the Executive Risk Committee of LCH Group.<sup>27</sup>

The Default Management Group is responsible for the management of clearing member defaults while all critical decisions are escalated and submitted to the LCH SA Default Crisis Management Team ("DCMT").<sup>28</sup> The triggering of recovery measures is subject to discussion in the DCMT and approval by the LCH SA CEO.<sup>29</sup>

The management of non-clearing member events will vary based on the nature of the event.<sup>30</sup> For example, investment losses and liquidity shortfalls are managed by the departments responsible for controlling such risks within the parameters set by the Board.<sup>31</sup> Similarly, operational risks are managed by each business line in accordance with the operational risk

policy approved by the Board.<sup>32</sup> Business risk is managed by individual business lines, with a second line challenge performed by the risk and finance departments to verify if sufficient capital buffers are available for the applicable business risks.<sup>33</sup> Matters are escalated to the Management Committee when the RP is triggered and the LCH SA Board will approve implementation of the RP.<sup>34</sup>

#### B. The WDP (LCH SA–2017–013)

In the event a recovery is not successful, LCH SA would invoke its WDP to wind down its operations to full service closure in an orderly manner, thereby minimizing the disruption to clearing members, market participants, and the broader financial system. The WDP would be triggered after a determination by the LCH SA Board that all the recovery tools have been exhausted and have failed to return LCH SA to business as usual.<sup>35</sup> A voluntary wind-down not precipitated by these extreme events would not be considered.<sup>36</sup> The WDP would set forth clear mechanisms for the transfer of LCH SA's membership and business, and would be designed to facilitate continued access to critical services and to minimize market impact.<sup>37</sup>

The decision to wind down would be taken by the Board and ultimately the shareholders' meeting, upon advice of the Executive Risk Committee and Local Management Committee ("LMC").<sup>38</sup> The implementation of the WDP would be monitored by the LCH SA LMC or Default Crisis Management Team, the executive committee in charge of the coordination of defaults.<sup>39</sup> All relevant regulatory authorities would be consulted before such a decision is taken, and the French *Autorité de Contrôle Prudentiel et de Résolution* would have to approve such a decision, unless all clearing services have already been closed.<sup>40</sup> These authorities would then be kept regularly informed of the plan's implementation.<sup>41</sup> Any decision to wind-down while in resolution would be taken by the relevant governing resolution authority.<sup>42</sup>

The WDP assumes that LCH SA's businesses would be wound down until full closure and that the closure of

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> See Notice 012, 82 FR at 60249.

<sup>23</sup> *Id.* at 60250.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> Notice 013, 82 FR at 60239.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* at 60239–60240.

<sup>38</sup> *Id.* at 60239.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup> *Id.*

<sup>13</sup> See Notice 012, 82 FR at 60247.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* at 60249–60250.

<sup>17</sup> *Id.* at 60249.

<sup>18</sup> *Id.*

various business lines could occur at different times, with some business functions significantly scaled down or even closed by the time the decision to wind-down is officially made.<sup>43</sup> The WDP also states that LCH SA would publish written notice to the clearing members that a wind-down event has occurred and potential dates by which transactions will no longer be accepted for clearing.<sup>44</sup> In a non-default situation or in a situation where the corresponding business line is still active, LCH SA would attempt to give clearing members the maximum time necessary to clear transactions in the normal course, close-out positions, and switch to another central counterparty.<sup>45</sup>

The WDP also provides detail about the closure of supporting functions. For instance, the treasury function would close once all clearing services have ceased and monies are paid by LCH SA and its members.<sup>46</sup> Any other supporting operational, information technology, or risk functions would be kept active until all positions are closed.<sup>47</sup> Further, once the WDP is implemented, LCH SA would deposit remaining cash in central bank accounts or invest the cash in instruments with maturities no longer than same-day repos.<sup>48</sup> The WDP further notes that LCH SA's contractual agreements with third-party service providers, such as information technology or venue providers, contain wind-down provisions that permit LCH SA to exit the agreements under particular conditions.<sup>49</sup> Finally, the WDP provides citations to its various clearing services' rule book provisions giving a legal basis for the actions taken to effectuate the plan.<sup>50</sup>

### III. Proceedings To Determine Whether To Approve or Disapprove the Proposed Rule Changes and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act to determine whether the proposed rule changes should be approved or disapproved.<sup>51</sup>

Institution of proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule changes. As noted above, institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, the Commission seeks and encourages interested persons to comment on the proposed rule changes and provide arguments to support the Commission's analysis as to whether to approve or disapprove the proposals.

Pursuant to Section 19(b)(2)(B) of the Act,<sup>52</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of, and input from, commenters with respect to the proposed rule changes' consistency with the Act<sup>53</sup> and the rules thereunder, including the following provisions:

- Section 17A(b)(3)(F) of the Act, which requires that the rules of a clearing agency be designed to, among other things, assure the safeguarding of securities and funds which are in the custody or control of the clearing agency for which it is responsible;<sup>54</sup>
- Rule 17Ad-22(e)(2) under the Act, which requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent and support the public interest requirements in Section 17A of the Act applicable to clearing agencies, and the objectives of owners and participants;<sup>55</sup>
- Rule 17Ad-22(e)(3)(ii) under the Act, which requires that covered clearing agencies, among other things, "establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which . . . includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses;" and
- Rules 17Ad-22(e)(15)(i)-(ii),<sup>56</sup> which require LCH SA to establish,

good cause for such extension and publishes its reasons for so finding or if the self-regulatory organization consents to the extension).

<sup>52</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>53</sup> 15 U.S.C. 78q-1.

<sup>54</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>55</sup> 17 CFR 240.17Ad-22(e)(2).

<sup>56</sup> 17 CFR 240.17Ad-22(e)(15)(i)-(ii).

implement, maintain and enforce written policies and procedures reasonably designed to determine the amount of liquid net assets funded by equity based upon its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken and to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for holding liquid net assets funded by equity equal to the greater of either six months of its current operating expenses or the amount determined by the board of directors to be sufficient to ensure a recovery or orderly wind-down of critical operations and services of the covered clearing agency, as contemplated by the plans established under Rule 17Ad-22(e)(3)(ii).<sup>57</sup>

### IV. Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues raised by the proposed rule changes. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule changes are inconsistent with Section 17A(b)(3)(F) of the Act<sup>58</sup> and Rules 17Ad-22(e)(2),<sup>59</sup> 17Ad-22(e)(3)(ii),<sup>60</sup> and 17Ad-22(e)(15)(i)-(ii),<sup>61</sup> under the Act, or any other provision of the Act or rules and regulations thereunder.

Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.<sup>62</sup>

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule changes should be approved or disapproved on or before April 13, 2018. Any person who wishes to file a rebuttal to any other person's

<sup>57</sup> 17 CFR 240.17Ad-22(e)(3)(ii).

<sup>58</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>59</sup> 17 CFR 240.17Ad-22(e)(2).

<sup>60</sup> 17 CFR 240.17Ad-22(e)(3)(ii).

<sup>61</sup> 17 CFR 240.17Ad-22(e)(15)(i)-(ii).

<sup>62</sup> Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Public Law 94-29, 89 Stat. 97 (1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Report of the Senate Committee on Banking, Housing and Urban Affairs to Accompany S. 249, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

<sup>43</sup> *Id.*

<sup>44</sup> *Id.* at 60239–60240.

<sup>45</sup> *Id.* at 60240.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> 15 U.S.C. 78s(b)(2)(B) (providing that proceedings to determine whether to disapprove a proposed rule change must be concluded within 180 days of the date of publication of notice of the filing of the proposed rule change. The time for conclusion of the proceedings may be extended for up to an additional 60 days if the Commission finds

submission must file that rebuttal on or before April 27, 2018. Comments may be submitted by any of the following methods:

#### Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-LCH SA-2017-012 and SR-LCH SA-2017-013 on the subject line.

#### Paper Comments

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

All submissions should refer to SR-LCH SA-2017-012 and SR-LCH SA-2017-013. These file numbers should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submissions, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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 filings also will be available for inspection and copying at the principal office of LCH SA and on LCH SA's website at <http://www.lch.com/asset-classes/cdsclear>. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-LCH SA-2017-012 and SR-LCH SA-2017-013 and should be submitted on or before April 13, 2018. If comments are received, any rebuttal comments should be submitted on or before April 27, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>63</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82900; File No. SR-PEARL-2018-09]

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

March 19, 2018.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 8, 2018, MIAx PEARL, LLC ("MIAx PEARL" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend the MIAx PEARL Fee Schedule (the "Fee Schedule"). The Exchange initially filed the proposal on February 28, 2018 (SR-PEARL-2018-06). That filing was withdrawn and replaced with the current filing (SR-PEARL-2018-09).

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The

Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

##### 1. Purpose

The Exchange proposes to amend the Add/Remove Tiered Rebates/Fees set forth in Section (1)(a) of the Fee Schedule to decrease the "Taker" fees in Tiers 4, 5 and 6 assessable to all orders submitted by a Market Maker<sup>3</sup> for options in Penny classes (as defined below).

The Exchange currently assesses tiered transaction rebates and fees to all market participants which are based upon the total monthly volume executed by the Member<sup>4</sup> on MIAx PEARL in the relevant, respective origin type (not including Excluded Contracts<sup>5</sup>) expressed as a percentage of TCv.<sup>6</sup> In addition, the per contract

<sup>3</sup> "Market Maker" means a Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of Exchange Rules. See the Definitions Section of the Fee Schedule and Exchange Rule 100.

<sup>4</sup> "Member" means an individual or organization that is registered with the Exchange pursuant to Chapter II of the Exchange Rules for purposes of trading on the Exchange as an "Electronic Exchange Member" or "Market Maker." Members are deemed "members" under the Exchange Act. See the Definitions Section of the Fee Schedule and Exchange Rule 100.

<sup>5</sup> "Excluded Contracts" means any contracts routed to an away market for execution. See the Definitions Section of the Fee Schedule.

<sup>6</sup> "TCv" means total consolidated volume calculated as the total national volume in those classes listed on MIAx PEARL for the month for which the fees apply, excluding consolidated volume executed during the period time in which the Exchange experiences an "Exchange System Disruption" (solely in the option classes of the affected Matching Engine (as defined below)). The term Exchange System Disruption, which is defined in the Definitions section of the Fee Schedule, means an outage of a Matching Engine or collective Matching Engines for a period of two consecutive hours or more, during trading hours. The term Matching Engine, which is also defined in the Definitions section of the Fee Schedule, is a part of the MIAx PEARL electronic system that processes options orders and trades on a symbol-by-symbol basis. Some Matching Engines will process option classes with multiple root symbols, and other Matching Engines may be dedicated to one single option root symbol (for example, options on SPY may be processed by one single Matching Engine that is dedicated only to SPY). A particular root symbol may only be assigned to a single designated Matching Engine. A particular root symbol may not be assigned to multiple Matching Engines. The Exchange notes that the term "Exchange System Disruption" and its meaning have no applicability outside of the Fee Schedule, as it is used solely for purposes of calculating volume for the threshold tiers in the Fee Schedule. See the Definitions Section of the Fee Schedule.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>63</sup> 17 CFR 200.30-3(a)(12).