

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-101341; File No. SR-PEARL-2024-48)

October 15, 2024

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 2618(a)(7)(A) to Allow Equity Members to Cancel a Subset of Orders Over an Order Entry Port

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> notice is hereby given that on October 8, 2024, MIAX PEARL, LLC (“MIAX Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “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 proposes to amend Exchange Rule 2618(a)(7)(A) to allow Equity Members<sup>3</sup> to cancel a subset of orders over an order entry port on the Exchange’s equity trading platform (referred to herein as “MIAX Pearl Equities”).

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

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

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

<sup>3</sup> The term “Equity Member” is a Member authorized by the Exchange to transact business on MIAX Pearl Equities. See Exchange Rule 1901.

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 currently offers risk functionality that permits Equity Members to cancel orders over their order entry port or over a dedicated Purge Port. The Exchange offers risk functionality that allows Equity Members to block new orders submitted, to cancel all open orders, or both block new orders and cancel all open orders under Exchange Rule 2618(a)(7)(A). The Exchange notes that order entry ports may be used to enter orders, modify existing orders, and cancel existing orders. The Exchange separately offers Purge Ports, which are dedicated ports that permits an Equity Member to simultaneously cancel all or *a subset of its orders* through a single cancel message.

Unlike Purge Ports, Exchange Rule 2618(a)(7)(A) does not provide that Equity Members may cancel a subset of orders over an order entry port. Due to Equity Member requests, the Exchange now proposes to amend Exchange Rule 2618(a)(7)(A) to allow Equity Members to cancel a subset of orders over an order entry port. An order cancellation request sent over an order entry port, including the proposal to cancel a subset of orders, is and would be handled along with other messages sent over that same order entry port, such as new orders and order

modification requests. On a Purge Port, a request to cancel a subset of orders is also handled only with other cancelation messages sent over that same Purge Port. The Exchange notes that similar functionality is also offered on at least on [sic] other national securities exchange.<sup>4</sup>

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The Exchange does not guarantee that the proposed cancelation functionality is sufficiently comprehensive to meet all of an Equity Member's risk management needs. Pursuant to Rule 15c3-5 under the Act,<sup>5</sup> a broker-dealer with market access must perform appropriate due diligence to assure that controls are reasonably designed to be effective, and otherwise consistent with the rule.<sup>6</sup> Use of the Exchange's risk controls included in Exchange Rule 2618 does not automatically constitute compliance with Exchange or federal rules and responsibility for compliance with all Exchange and SEC rules remains with the Equity Member.

#### Implementation

Due to the technological changes associated with this proposed change, the Exchange will issue a trading alert publicly announcing the implementation date of the proposed enhancements to its risk controls set forth herein. The Exchange anticipates that the implementation date will be in the first or second quarter of 2025.

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<sup>4</sup> See Interpretations and Policies .02(b) to MEMX LLC ("MEMX") Rule 11.10.

<sup>5</sup> 17 CFR § 240.15c3-5.

<sup>6</sup> See Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access, available at <https://www.sec.gov/divisions/marketreg/faq-15c-5-risk-management-controls-bd.htm>.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>8</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the Exchange believes the proposed amendments will remove impediments to and perfect the mechanism of a free and open market and a national market system because the augmented functionality is being proposed in response to Equity Member feedback as part of their efforts to appropriately manage their risk. The proposed rule change is also similar to functionality that is offered on at least on [sic] other national securities exchange, which the Commission approved.<sup>9</sup> Therefore, the Exchange does not believe that the proposed rule change raises any new or novel issues not already considered by the Commission.

Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because allowing would allow [sic] Equity Members the ability to cancel a subset of their orders via an order entry port. This additional flexibility would provide Equity Members with additional cancelation functionality and further

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> See Interpretations and Policies .02(b) to MEMX Rule 11.10. See also Securities Exchange Act Release No. 88806 (May 4, 2020), 85 FR 27451 (May 8, 2020) (Order approving MEMX's exchange application, which included Interpretations and Policies .02(b) to MEMX Rule 11.10).

align order entry port cancelation functionality with what is currently provided via a Purge Port. Equity Members that elect to utilize the proposed cancelation functionality may do so over an order entry port rather than needing a separate Purge Port. The Exchange believes the proposed amendments will remove impediments to and perfect the mechanism of a free and open market and a national market system because they provide additional functionality for an Equity Member to manage its risk.

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

**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 Exchange believes its proposal will not impose any burden on inter-market competition because it would provide Equity Members with additional flexibility canceling orders in a manner that may better suit their risk appetite when they seek to manage their order flow and orders that may be resting on the Exchange. The proposal would also promote inter-market competition because it would allow the Exchange to better compete with at least one other national securities exchange that offers similar functionality.<sup>10</sup> The proposal would impose no burden on intra-market competition because each risk setting would be applied to all Equity Members' orders equally.

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<sup>10</sup> See Interpretations and Policies .02(b) to MEMX Rule 11.10.

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 Act<sup>11</sup> and Rule 19b-4(f)(6)<sup>12</sup> thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 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.

Electronic Comments:

- Use the Commission's internet comment form (<https://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-PEARL-2024-48 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-PEARL-2024-48. 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or

withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-PEARL-2024-48 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>13</sup> 17 CFR 200.30-3(a)(12).