

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103547; File No. SR-PEARL-2025-36]

Self-Regulatory Organizations: MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 519C, Mass Cancellation of Trading Interest, to Adopt a New Selective Liquidity Auto Purge (“SLAP”)

July 25, 2025

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 July 15, 2025, MIAX PEARL, LLC (“MIAX Pearl” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Item II below, which Item has been prepared by MIAX Pearl. 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 519C, Mass Cancellation of Trading Interest, to adopt new mass order cancellation functionality that will be available via the MEO Interface.³

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> and at MIAX Pearl’s principal office.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “MEO Interface” means a binary order interface used for submitting certain order types (as set forth in Rule 516) to the MIAX Pearl System. See Exchange Rule 100.

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

In its filing with the Commission, MIAX Pearl 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. MIAX Pearl 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 519C, Mass Cancellation of Trading Interest, to adopt a new Selective Liquidity Auto Purge (“SLAP”) feature, which provides more granular mass cancellation functionality. Currently, Members⁴ may submit a mass cancellation request via the MEO interface using the Liquidity Mass Cancel Request message. The Liquidity Mass Cancel Request message contains a Mass Cancel Scope field which allows the Member to determine the behavior following the mass cancellation of orders. For example, populating the Mass Cancel Scope field with an “A” will instruct the System⁵ to cancel all open binary orders and block all subsequent binary orders (including immediate orders); populating the field with a

⁴ The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of the MIAX PEARL Rules for purposes of trading on the Exchange as an “Electronic Exchange Member” or “Market Maker.” Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

⁵ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

“D” will instruct the System to cancel all open binary orders and block all subsequent binary orders (excluding immediate orders).⁶

The Exchange now proposes to adopt new paragraph (e) to Exchange Rule 519C, to adopt the SLAP feature. The SLAP feature, the use of which is optional, will provide more granular mass cancellation functionality by allowing users to mass cancel specific groups of orders as determined by the Member on an order by order basis. Orders submitted via the MEO interface may optionally contain one or more SLAP codes from 1 through 8.⁷ Each individual order can be part of eight (8) unique SLAP groups identified by their SLAP code (numbered 1 through 8).⁸

To remove orders with a SLAP code, a SLAP request is sent to the System containing the MPID,⁹ underlying, and SLAP code of the orders to be removed from the System. Following completion of processing the SLAP request all new inbound orders with matching criteria submitted to the System will be blocked. The System will provide a notification to the requestor upon receipt of the SLAP request and another upon completion of the SLAP request. A SLAP reset request must be submitted to the System to resume entry of orders for the same MPID, underlying, and SLAP code. Orders received for the same MPID, underlying, and SLAP code

⁶ See Section 4.1.3, Liquidity Mass Cancel Request, in the MIAX Express Orders, Binary Orders for Trading Options, MEO Interface Specification, version 2.1a, 4/8/2024 available online at https://www.miaxglobal.com/miax_express_orders_meo.pdf.

⁷ Orders may contain multiple SLAP codes.

⁸ The Exchange notes that there is no limit on the number of orders that may be included in a SLAP group.

⁹ The term “MPID” means unique market participant identifier. See Exchange Rule 100.

prior to a SLAP reset will be rejected. Intermarket Sweep Orders¹⁰ and orders with a time in force of immediate-or-cancel (“IOC”)¹¹ will not be eligible to receive a SLAP code.

To facilitate SLAP processing the Exchange has amended and enhanced existing MEO messages. Specifically, Members will use the Standard Order – New message in MEO to send an order to the System. A new field, “SLAP Codes,” has been added to the message, which will allow the Member to identify the order with a SLAP Code of 1 through 8, as desired. A Member will use the Liquidity Mass Cancel Request message in MEO to remove orders with the designated SLAP Code. The Mass Cancel Scope field of the Liquidity Mass Cancel Request message has been enhanced to include new value “S” to indicate that the Liquidity Mass Cancel Request is a Selective Liquidity Auto Purge (“SLAP request”). The Liquidity Mass Cancel Request message also includes the corresponding field, “SLAP Codes,” for Members to identify the SLAP Codes of the orders that are being cancelled.

The System will notify the Member that the SLAP request has been received by providing the Member with a new SLAP Protection Trigger Notification message. The System will then notify the Member that the SLAP request has been processed using the existing Liquidity Mass Cancel Response message. Additionally, the Liquidity Mass Cancel Response message has been modified to include new responses specifically related to SLAP requests to

¹⁰ An Intermarket Sweep Order or “ISO”, as defined in Rule 1400(i), is a limit order that is designated by a Member as an ISO in the manner prescribed by the Exchange, and is executed within the System by Members without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1400(q) and (g). ISOs are immediately executable within the System and shall not be eligible for routing. ISOs that are not designated as immediate or cancel will be cancelled by the System if not executed upon receipt. Simultaneously with the routing of an ISO to the System, one or more additional limit orders, as necessary, are routed by the entering Member to execute against the full displayed size of any Protected Bid or Protected Offer, as defined in Rule 1400(p), in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs. An ISO is not valid during the Opening Process described in Rule 503. See Exchange Rule 516(f).

¹¹ An immediate-or-cancel order is an order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. An immediate-or-cancel order is not valid during the Opening Process described in Rule 503. See Exchange Rule 516(e).

provide Members with more specific information regarding the status of their SLAP request should it not be successfully executed.

The Member will submit the existing Liquidity Protection Reset Request message to re-enable the System to process orders with a SLAP code. The Liquidity Protection Reset Request message has been enhanced to include a “Scope” field where a value of “S” indicates the reset is for SLAP. Additionally, the Liquidity Protect Reset Request message includes a SLAP Codes field to allow a reset for specific SLAP code groups.

The SLAP code is an additional, optional, field in the Standard Order - New message and as such Members may (i) include a SLAP code on an order; (ii) modify an order that does not contain a SLAP code to assign a SLAP code; (iii) modify an order that has a SLAP code to change it to a different SLAP code; or (iv) modify an order that contains a SLAP code to remove it.

To implement the SLAP feature the Exchange proposes to adopt new paragraph (e) to Rule 519C, Mass Cancellation of Trading Interest, to provide that a Member may use the Selective Liquidity Auto Purge (“SLAP”) feature for orders delivered via the MEO Interface. Orders submitted to the System may optionally contain one or more SLAP codes numbered 1 through 8. When a Member submits a SLAP request, orders with the corresponding MPID, underlying, and SLAP code will be removed from the System and new inbound orders with matching criteria will be blocked. The System will provide notification messages to the Member regarding the status of the SLAP request. A Member must submit a SLAP reset request to the System to enable new incoming orders for the same MPID, underlying, and SLAP code. Intermarket Sweep Orders and orders with a time in force of IOC are not eligible to receive a SLAP code.

The Exchange has analyzed its capacity and represents that it has the necessary systems capacity to handle the potential additional message traffic that may arise from the cancellation of open orders as a result of a SLAP request being received.

Implementation

The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 60 days following the operative date of the proposed rule. The implementation date will be no later than 60 days following the issuance of the Regulatory Circular.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹² Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹³ requirements that the rules of an exchange be 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁴ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ Id.

The Exchange believes the proposed changes remove impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by providing Members with a customizable mass cancellation mechanism.

The ability of a Member to engage the SLAP feature is a valuable tool in assisting Members in risk management. Without adequate risk management tools Members could reduce the size of their quotations and orders which could undermine the quality of the markets available to customers and other market participants. The proposed rule change removes impediments to and is designed to perfect the mechanisms of a free and open market by giving Members the ability to further refine their risk protections from an option class level to a specific subset of Member defined groups. Accordingly, the SLAP feature is designed to provide Members with greater control over their orders in the market, thereby removing impediments to and helping to perfect the mechanisms of a free and open market and a national market system and, in general, protecting investors and the public interest. In addition, providing Members with more tools for managing risk will facilitate transactions in securities because, as noted above, Members will have more confidence that protections are in place that reduce the risks from market events. As a result, the new functionality has the potential to promote just and equitable principles of trade.

The proposed rule change removes impediments to and is designed to perfect the mechanisms of a free and open market by giving Members more granular control over their orders by allowing Members to create custom groupings of orders by MPID and underlying, and additional criteria, such as option or side of the market (buy or sell), by assigning up to eight different SLAP codes to each order. This flexibility allows Members to group specific subsets of

their orders based on their own risk requirements. The ability to group orders allows for the flexibility to submit cancel requests for a subset of open orders tailored to varying levels of risk tolerance.

The Exchange believes the proposed changes remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, protect investors and the public interest, and promote a fair and orderly market by excluding Intermarket Sweep Orders and orders with a time in force of IOC from SLAP functionality. Intermarket Sweep Orders are used to prevent locked and crossed markets from occurring¹⁵ and it is in the public interest for markets to remain uncrossed to promote competition and price discovery. Orders with a time in force of IOC are executed immediately with any remaining balance cancelled, therefore these orders do not rest on the Book¹⁶ and as such do not require risk protection that is provided to resting orders.

The Exchange believes the proposed changes remove impediments to and perfects the mechanism of a free and open market and a national market system and, in general, protects investors and the public interest by providing Members with an additional risk management tool. Members who are Market Makers¹⁷ have a heightened obligation on the Exchange and are obligated to submit continuous two-sided quotations in a certain number of series in their appointed classes for a certain percentage of time in each trading session,¹⁸ rendering them

¹⁵ See supra note 10.

¹⁶ The term “Book” means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

¹⁷ The term “Market Maker” or “MM” 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 MIA X Pearl Rules. See Exchange Rule 100.

¹⁸ See Exchange Rule 605(d).

vulnerable to risk from market conditions. Additionally, EEMs¹⁹ may also submit a large volume of orders that rest on the Book also rendering them vulnerable and at risk to market conditions.

The Exchange notes that the proposed rule change will not relieve Exchange Market Makers of their continuous quoting obligations under Exchange Rule 605²⁰ or any other obligation under the Rules of the Exchange, or any obligations arising under Reg NMS Rule 602.²¹ Nor will the proposed rule change prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet their continuous quoting obligation each trading day.

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 that the proposed rule change will foster competition by providing Members with the ability to specifically customize their use of the Exchange's risk management tools in order to compete for executions and order flow.

Additionally, the Exchange believes that the proposed rule change should promote competition as it is designed to allow Members greater flexibility and control of their risk exposure to protect them from market conditions that may increase their risk exposure in the market. The Exchange does not believe the proposed rule change will impose a burden on intra-

¹⁹ The term "Electronic Exchange Member" or "EEM" means the holder of a Trading Permit who is a Member representing as agent Public Customer Orders or Non-Customer Orders on the Exchange and those non-Market Maker Members conducting proprietary trading. Electronic Exchange Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

²⁰ See Exchange Rule 605(d).

²¹ 17 CFR 242.602.

market competition as the optional risk protection feature is equally available to all Members of the Exchange.

The Exchange believes that the proposed rule change should promote inter-market competition as the proposal is designed to allow Members greater flexibility and control over their risk exposure in order to protect them from market risk or events that may increase their exposure in the market. Additionally, the proposed rule change should instill additional confidence in market participants that submit orders to the Exchange that there are adequate risk protections in place, and thus should encourage market participants to submit additional order flow to the Exchange, thereby promoting inter-market competition.

For all the reasons stated, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, and believes the proposed change will enhance competition.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act²² and Rule 19b-4(f)(6)²³ thereunder. 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 from the date on which it was

²² 15 U.S.C. 78(b)(3)(A).

²³ 17 CFR 240.19b-4(f)(6).

filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²⁴ and Rule 19b-4(f)(6)²⁵ 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 will institute proceedings to determine whether the proposed rule change 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-PEARL-2025-36 on the subject line.

²⁴ 15 U.S.C. 78s(b)(3)(A).

²⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of 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.

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-2025-36. 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 filing 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-2025-36 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.²⁶

Sherry R. Haywood,

Assistant Secretary.

²⁶ 17 CFR 200.30-3(a)(12).