

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–96551; File No. SR–PEARL–2022–57]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC To Amend Exchange Rule 519C Mass Cancellation of Trading Interest

December 20, 2022.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on December 8, 2022, MIAX PEARL, LLC (“MIAX Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the 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 519C.

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 Interpretations and Policies .01 of Exchange Rule 519C, Mass Cancellation of Trading Interest, to provide

Members³ the option of having the Exchange cancel all orders, including GTC Orders,⁴ if the Exchange detects a loss of communication on a FIX Order Interface (“FOI”) Session.

MIAX PEARL Members may connect to the System using the MEO Interface⁵ and/or the FIX Interface. These two connection protocols are not mutually exclusive and Members, specifically Market Makers (“MMs”)⁶ on the Exchange, primarily use the MEO Interface for providing liquidity to the Exchange via their Market Making activities, while Electronic Exchange Members (“EEMs”)⁷ primarily use the FIX Interface for submitting orders.⁸

These interface ports provide the mechanism by which Members maintain a connection to the Exchange and through which a Member communicates its quotes and/or orders to the System.⁹ Market Makers may submit quotes¹⁰ to the Exchange from one or more MEO ports. Similarly, Members may submit orders to the Exchange from one or more FIX ports.

FIX Connections

Members connect to their assigned FIX port using the MIAX PEARL FIX Orders Interface (“FOI”) which is a flexible interface that uses the FIX protocol for both application and

³ 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.

⁴ A Good ‘til Cancelled or “GTC” Order is an order to buy or sell which remains in effect until it is either executed, cancelled or the underlying option expires. See Exchange Rule 516(i).

⁵ The term “MEO Interface” means a binary order interface used for submitting certain order types (as set forth in MIAX PEARL Rule 516) to the MIAX Pearl System. See Exchange Rule 100.

⁶ 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 MIAX Pearl Rules. See Exchange Rule 100.

⁷ 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.

⁸ The term “order” means a firm commitment to buy or sell option contracts. See Exchange Rule 100.

⁹ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

¹⁰ The term “quote” or “quotation” means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker’s previous bid or offer, if any. When the term order is used in these Rules and a bid or offer is entered by the Market Maker in the option series to which such Market Maker is registered, such order shall, as applicable, constitute a quote or quotation for purposes of these Rules. See Exchange Rule 100.

session level messages. As per the FIX protocol, a connection is established by the Member submitting a logon message to the Exchange. This logon message establishes the Heartbeat interval that will be used by the session. The Exchange relies on heartbeat¹¹ messages to determine the status of the connection to ensure bi-directional communication remains intact. Upon missing a single heartbeat, FOI will send a *Test Request* message¹² to the Member to check the status of the connection. Upon missing a certain number of heartbeats,¹³ FOI will send a logout message and terminate the connection. The Exchange currently offers Members certain order handling risk protection options in this scenario.

Specifically, when a Loss of Communication is detected on a FOI connection the System will logoff the Member’s session and (i) cancel all eligible orders for the FIX Session if instructed by the Member upon login, or (ii) cancel all eligible orders identified by the Member. Following a disconnection, a reconnection will not be permitted for a certain period of time (“yy” seconds). The Exchange shall determine the appropriate period of (“yy” seconds) and shall notify Members of the value of “yy” seconds via Regulatory Circular. In no event shall “yy” be less than one (1) second or greater than ten (10) seconds.¹⁴

At the time the Exchange adopted this functionality the Exchange created an exception for Good ‘Til Cancel Orders in Interpretations and Policies .01, which stated, Good ‘Til Cancelled (“GTC”) orders, as defined in Rule 516 and PRIME Orders, as defined in Rule 515A, are not eligible for automatic cancellation under paragraph (c) of Rule 519C.¹⁵

¹¹ A “Heartbeat” message is a communication which acts as a virtual pulse between the Exchange System and the Member’s system. The Heartbeat message sent by the Member and received by the Exchange allows the Exchange to continually monitor its connection with the Member. See Interpretations and Policies .02(i) of Exchange Rule 519C.

¹² The test request message is a FIX Protocol message that forces a heartbeat from the opposing application. The test request message checks sequence numbers or verifies communication line status. The opposite application responds to the Test Request with a Heartbeat containing the Test Request ID. Financial Information Exchange Protocol (FIX), Version 4.2 with errata. May 1, 2001.

¹³ The Exchange notes that the current System setting is two (2) heartbeats, and that any change to this setting will be determined by the Exchange and communicated to Members via Regulatory Circular.

¹⁴ See Exchange Rule 519C(c)(2).

¹⁵ See Interpretations and Policies .01 of Exchange Rule 519C.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

Proposal

The Exchange now proposes to amend Interpretations and Policies .01 to allow GTC orders to also be eligible for cancellation when the Exchange detects a Loss of Communication.

As proposed, if the Exchange determines that there is a Loss of Communication, the Exchange will cancel the orders as described above, additionally, if elected, the Exchange proposes to cancel all GTC orders submitted through that FIX Session. As proposed, Members would need to contact the Exchange's Help Desk,¹⁶ in a form and manner to be determined by the Exchange and communicated via Regulatory Circular, to have this optional order protection (cancellation of GTC orders) configured.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with section 6(b) of the Act¹⁷ in general, and furthers the objectives of section 6(b)(5) of the Act¹⁸ 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 disconnect feature of FIX connections is mandatory, however Members have the option to enable the cancellation of all orders for an entire session or select orders for cancellation on an order-by-order basis, which would result in the cancellation of orders submitted over a FIX Session when such session disconnects. The Exchange believes it is appropriate to offer an additional option for Members to have the Exchange cancel GTC orders from the order book when there is a communication issue between the Member and the Exchange, as a communication issue may or may not be quickly resolved.

Offering to cancel all orders (including GTC orders) allows the Member to customize Exchange risk protection functionality to align to a

Member's business needs. Offering this type of order cancellation functionality to Members is consistent with the Act because it enables Members to have greater control over the execution of their orders in the event there is a communication issue with the Exchange. The proposed order cancellation functionality is designed to mitigate the risk of a missed execution associated with a loss of communication with the Exchange. The proposed rule change is not unfairly discriminatory among market participants, as it is available equally to all market participants utilizing a FOI connection to the Exchange.

The Exchange believes that the proposed rule change will assist with the maintenance of a fair and orderly market by providing Members with greater control over their resting orders. The Exchange's proposal is consistent with the Act because it will mitigate the risk of potential erroneous or unintended executions associated with a loss of communication which protects investors and the public interest. Additionally, the proposed rule adds another level of risk protection for Members and protects investors and the public interest by increasing the risk protection options available to Members of the Exchange.

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 does not believe that the proposed rule change to provide an additional risk protection imposes any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that adding an optional risk protection benefits all Members on the Exchange that use a FOI connection as any Member with a FOI connection can elect to use the risk protection described in the proposed rule.

The Exchange does not believe the proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. 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.

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 Act¹⁹ and Rule 19b-4(f)(6)²⁰ 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:

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. Please include File Number SR-PEARL-2022-57.

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-2022-57. This file number should be included on the

¹⁶ The term "Help Desk" means the Exchange's control room consisting of Exchange staff authorized to make certain trading determinations on behalf of the Exchange. The Help Desk shall report to and be supervised by a senior executive officer of the Exchange. See Exchange Rule 100.

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C. 78f(b)(5).

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 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.

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-PEARL-2022-57, and should be submitted on or before January 17, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²¹

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-96544; No. SR-NYSEARCA-2022-83]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify the NYSE Arca Options Fee Schedule

December 20, 2022.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on December 14, 2022, NYSE Arca, Inc. ("NYSE

Arca" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 modify the NYSE Arca Options Fee Schedule ("Fee Schedule") regarding credits for Qualified Contingent Cross ("QCC") transactions. The Exchange proposes to implement the fee change effective December 14, 2022.⁴ The proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, 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 self-regulatory organization 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 those 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 parts of such statements.

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

1. Purpose

The purpose of this filing is to amend the Fee Schedule to modify the credits offered for QCC transactions.⁵ The Exchange proposes to implement the rule change on December 14, 2022.

Currently, the Exchange offers Floor Brokers a credit of (\$0.22) per contract for Non-Customer vs. Non-Customer QCC transactions or (\$0.11) per contract for Customer vs. Non-Customer QCC

transactions.⁶ The Exchange also currently offers an additional (\$0.04) per contract credit to Floor Brokers on all Customer vs. Non-Customer QCC transactions if they execute at least 500,000 contracts of credit-eligible volume in QCC transactions in a month.⁷ QCC executions in which a Customer is on both sides of the QCC trade are not eligible for a credit, and the maximum Floor Broker credit for QCC transactions is \$375,000 per month per Floor Broker firm.⁸

The Exchange now proposes to offer the credits on QCC transactions currently available only to Floor Brokers to any broker submitting a QCC transaction to the Exchange (a "Submitting Broker"), whether the broker is a Floor Broker on the Trading Floor or a broker that enters orders electronically through an interface with the Exchange. In other words, the Exchange proposes to offer the existing Floor Broker QCC credits to any OTP Holder or OTP Firm (collectively, "OTP Holder") that submits a QCC transaction to the Exchange.

The Exchange also proposes to increase the credit offered on Customer vs. Non-Customer QCC transactions from (\$0.11) to (\$0.16) and, in light of such proposed increase, to eliminate the additional (\$0.04) credit currently offered on Customer vs. Non-Customer QCC transactions to Floor Brokers that execute at least 500,000 contracts of credit-eligible volume in QCC transactions in a month. The Exchange proposes to eliminate the additional credit currently offered to qualifying Floor Brokers because the proposed increased credit of (\$0.16) on all Customer vs. Non-Customer QCC transactions would provide Submitting Brokers with a higher credit than the combination of the current (\$0.11) and (\$0.04) credits available on Customer vs. Non-Customer QCC transactions.

To effect these changes, the Exchange proposes to modify the Fee Schedule to substitute the term "Submitting Broker" for "Floor Broker" in connection with credits relating to QCC transactions.⁹ First, the Exchange proposes to modify the Participant column of the table setting forth the fees and credits for QCC transactions to provide for a "Submitting Broker credit for Non-

⁴ The Exchange originally filed to amend the Fee Schedule on December 1, 2022 (SR-NYSEARCA-2022-79), then withdrew such filing and amended the Fee Schedule on December 14, 2022 (SR-NYSEARCA-2022-81), which latter filing the Exchange also withdrew on December 14, 2022.

⁵ A QCC Order is defined as an originating order to buy or sell at least 1,000 contracts that is identified as being part of a qualified contingent trade coupled with a contra-side order or orders totaling an equal number of contracts. See Rule 6.62P-O(g)(1)(A).

⁶ See Fee Schedule, QUALIFIED CONTINGENT CROSS ("QCC") TRANSACTION FEES AND CREDITS, available at: https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf.

⁷ See *id.* at Endnote 13.

⁸ See *id.*

⁹ See proposed Fee Schedule, QUALIFIED CONTINGENT CROSS ("QCC") TRANSACTION FEES AND CREDITS & Endnote 13.

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.