

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-NASDAQ-2026-041 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-NASDAQ-2026-041. 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-NASDAQ-2026-041 and should be submitted on or before May 29, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

J. Matthew DeLesDernier,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105376; File No. SR-SAPPHIRE-2026-19]

Self-Regulatory Organizations; MIAX Sapphire, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Exchange Rule 2040, Qualified Floor Orders

May 5, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 29, 2026, MIAX Sapphire, LLC ("MIAX Sapphire" or "Exchange") filed with the Securities and Exchange

Commission ("Commission") a proposed rule change as described in Items I and II 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 (1) amend Exchange Rule 2040 to permit Floor Brokers³ to execute Customer Cross Orders,⁴ Complex Customer Cross Orders,⁵ Qualified Contingent Cross Orders,⁶ and Complex Qualified Contingent Cross Orders⁷ (collectively, the "Crossing Orders") on the Trading Floor⁸ immediately without announcement to the trading crowd provided that certain requirements are met; (2) amend Exchange Rule 2040(a)(4) to remove the reference to paragraph "(a)" of Exchange Rule 518 to

³ A Floor Broker is an individual who is registered with the Exchange for the purpose, while on the Trading Floor, of accepting and handling options orders. A Floor Broker must be registered as a Floor Participant prior to registering as a Floor Broker. A Floor Broker may take into his own account, and subsequently liquidate, any position that results from an error made while attempting to execute, as Floor Broker, an order. See Exchange Rule 2015.

⁴ A Customer Cross Order is comprised of a Priority Customer Order to buy and a Priority Customer Order to sell at the same price and for the same quantity. A Customer Cross Order is not valid during the Opening Process described in Rule 503. See Exchange Rule 516(i).

⁵ A Complex Customer Cross or "cC2C" Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity. Trading of cC2C Orders is governed by Rule 515(g)(3). See Exchange Rule 518(b)(3).

⁶ A Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 mini-option contracts, that is identified as being part of a qualified contingent trade, as that term is defined in Interpretation and Policy .01 below, coupled with a contra-side order or orders totaling an equal number of contracts. A Qualified Contingent Cross Order is not valid during the Opening Process described in Rule 503. See Exchange Rule 516(j).

⁷ A Complex Qualified Contingent Cross or "cQCC" Order is comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, as defined in Rule 516, Interpretation and Policy .01, coupled with a contra-side complex order or orders totaling an equal number of contracts. Trading of cQCC Orders is governed by Rule 515(g)(4). See Exchange Rule 518(b)(4).

⁸ The term "Trading Floor" or "Floor" means the physical trading floor of the Exchange located in Miami, Florida. The Trading Floor shall consist of one "Crowd Area" or "Pit" where Floor Participants will be located and option contracts will be traded. The Crowd Area or Pit shall be marked with specific visible boundaries on the Trading Floor, as determined by the Exchange. A Floor Broker must represent all orders in an "open outcry" fashion in the Crowd Area. See Exchange Rule 100.

broaden the rule cross-reference; and (3) add an explicit reference and description of the behavior of a QFO with an ISO designation (described below) to the Exchange's Rulebook to provide additional detail and clarity regarding trading on the Exchange's Trading Floor.

The text of the proposed rule change is available on the Exchange's website at <https://www.miaxglobal.com/markets/us-options/all-options-exchanges/rule-filings>, and at MIAX Sapphire's principal office.

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 (1) amend Exchange Rule 2040 to permit Floor Brokers to execute Crossing Orders on the Trading Floor immediately without announcement to the trading crowd provided that certain requirements are met; (2) amend Exchange Rule 2040(a)(4) to remove the reference to paragraph "(a)" of Exchange Rule 518 to broaden the rule cross-reference; and (3) add an explicit reference and description of the behavior of a QFO with an ISO designation to the Exchange's Rulebook to provide additional detail and clarity regarding trading on the Exchange's Trading Floor.

Background

Electronic Market

The MIAX Sapphire Exchange operates both an electronic market and a physical Trading Floor. The electronic market supports both a Simple Order

²⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Book⁹ and a Strategy Book.¹⁰ The order types available to Members¹¹ on the electronic market for the Simple Order Book are described in Exchange Rule 516, Order Types. Specifically included in Rule 516 is a description of a Customer Cross Order¹² and a Qualified Contingent Cross Order.¹³ The order types available to Members on the electronic market for the Strategy Book are described in Rule 518, Complex Orders. Specifically included in Rule 518(b) is a description of a Complex Customer Cross Order (“cC2C”)¹⁴ and a Complex Qualified Contingent Cross Order (“cQCC”).¹⁵

Customer Cross Orders

The trading of Customer Cross Orders is governed by Exchange Rule 515(g)(1). Specifically, Rule 515(g)(1) provides that, “Customer Cross Orders, as defined in Rule 516(i), are automatically executed upon entry provided that the execution (i) is at or between the best bid and offer on the Exchange; (ii) is not at the same price as a Priority Customer Order on the Exchange’s Simple Order Book; and (iii) will not trade at a price inferior to the NBBO.”¹⁶ Further, the rule provides, “[i]f trading interest exists on the Exchange’s Simple Order Book that is subject to the Managed Interest Process pursuant to Rule 515(d)(2) when the Exchange receives a Customer Cross Order, the System will reject the Customer Cross Order. Customer Cross Orders will be automatically canceled if they cannot be executed. Rule 520, Interpretation and Policy .01 applies to the entry and execution of Customer Cross Orders.”¹⁷

Complex Customer Cross Orders

The trading of Complex Customer Cross Orders is governed by Rule 515(g)(3). Rule 515(g)(3) provides that, “cC2C Orders, as defined in Rule 518(b)(3), are automatically executed upon entry provided that (A) a cC2C

Order with a conforming ratio¹⁸ will be executed in accordance with Rule 518(c)(1)(iv) and will improve the best price available on the Strategy Book; and (B) a cC2C Order with a non-conforming ratio¹⁹ will be executed in accordance with Rule 518(c)(1)(v) and will improve the best price available on the Strategy Book.”²⁰ Rule 515(g)(3)(i) provides that, “cC2C Orders will be automatically canceled if they cannot be executed.”²¹ Additionally, Rule 515(g)(3)(ii) provides that, “cC2C Orders may only be entered in minimum trading increments of \$0.01.”²² Rule 515(g)(3)(iii) provides that, “Rule 520, Interpretation and Policy .01, applies to the entry and execution of cC2C Orders.”²³ Finally, Rule 515(g)(3)(iv) provides that, “[t]he Exchange will determine, on a class-by-class basis, the option classes in which cC2C Orders are available for trading on the Exchange, and will announce such classes to Members via Regulatory Circular.”²⁴

Qualified Contingent Cross Orders

The trading of Qualified Contingent Cross Orders is governed by Rule 515(g)(2). Rule 515(g)(2) provides that, “Qualified Contingent Cross Orders, as defined in Rule 516(j), are automatically executed upon entry provided that the execution (i) is not at the same price as a Priority Customer Order on the Exchange’s Simple Order Book; and (ii) is at or between the NBBO.”²⁵ Further, the rule provides, “[i]f trading interest exists on the Exchange’s Simple Order Book that is subject to the Managed Interest Process pursuant to Rule 515(d)(2) when the Exchange receives a Qualified Contingent Cross Order, the System will reject the Qualified Contingent Cross Order. Qualified

Contingent Cross Orders will be automatically canceled if they cannot be executed.”²⁶

Complex Qualified Contingent Cross Orders

The trading of Complex Qualified Contingent Cross Orders is governed by Rule 515(g)(4). Rule 515(g)(4) provides that, “cQCC Orders, as defined in Rule 518(b)(4), are automatically executed upon entry provided that, with respect to each option leg of the cQCC Order, the execution (i) is not at the same price as a Priority Customer Order on the Exchange’s Simple Order Book; and (ii) is at or between the NBBO.”²⁷ Rule 515(g)(4)(i) provides that, “cQCC Orders will be automatically canceled if they cannot be executed.”²⁸ Additionally, Rule 515(g)(4)(ii) provides that, “cQCC Orders may only be entered in the minimum trading increments applicable to complex orders under Rule 518(c)(1)(i) or 518(c)(1)(ii) if the cQCC includes the stock component upon entry.”²⁹ Rule 515(g)(4)(iii) provides that, “[t]he Exchange will determine, on a class-by-class basis, the option classes in which cQCC Orders are available for trading on the Exchange, and will announce such classes to Members via Regulatory Circular.”³⁰ Additionally, Rule 515(g)(4)(iv) provides that, “[a] cQCC Order may be entered with or without the stock component. A cQCC Order entered without the stock component will be treated as a complex strategy with only option components. A cQCC Order entered with the stock component shall be subject to Rule 518.01. A Member that submits a cQCC Order to the Exchange (with or without the stock component) represents that such order satisfies the requirements of a qualified contingent trade (as described in Interpretations and Policies .01 of Rule 516) and agrees to provide information to the Exchange related to the execution of the stock component as determined by the Exchange and communicated via Regulatory Circular.”³¹ Rule 515(g)(4)(v) provides that, “[a] cQCC Order with a conforming ratio will be executed in accordance with Rule 518(c)(1)(iv).” Finally, Rule 515(g)(4)(vi) provides that, “[a] cQCC Order with a non-conforming ratio will be executed in accordance with Rule 518(c)(1)(v).”³² In sum, the Crossing Orders described above are

²⁶ See *Id.*

²⁷ See Exchange Rule 515(g)(4).

²⁸ See Exchange Rule 515(g)(4)(i).

²⁹ See Exchange Rule 515(g)(4)(ii).

³⁰ See Exchange Rule 515(g)(4)(iii).

³¹ See Exchange Rule 515(g)(4)(iv).

³² See Exchange Rule 515(g)(4)(v).

⁹ The “Simple Order Book” is the Exchange’s regular electronic book of orders and quotes. See Exchange Rule 100.

¹⁰ The “Strategy Book” is the Exchange’s electronic book of complex orders. See Exchange Rule 100.

¹¹ The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of these 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.

¹² See Exchange Rule 516(i).

¹³ See Exchange Rule 516(j).

¹⁴ See Exchange Rule 518(b)(3).

¹⁵ See Exchange Rule 518(b)(4).

¹⁶ See Exchange Rule 515(g)(1).

¹⁷ See Exchange Rule 515(g)(1).

¹⁸ A “conforming ratio” is where the ratio between the sizes of the options components of a complex order is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00); and where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”), the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is less than or equal to eight-to-one (8.00). See Exchange Rule 518(a).

¹⁹ A “non-conforming ratio” is where the ratio between the sizes of the options components of a complex order is greater than three-to-one (3.00) or less than one-to-three (.333); or where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”), the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is greater than eight-to-one (8.00).

²⁰ See Exchange Rule 515(g)(3).

²¹ See Exchange Rule 515(g)(3)(i).

²² See Exchange Rule 515(g)(3)(ii).

²³ See Exchange Rule 515(g)(3)(iii).

²⁴ See Exchange Rule 515(g)(3)(iv).

²⁵ See Exchange Rule 515(g)(2).

automatically executed upon entry provided that each specific crossing order satisfies the requirements unique to that type of crossing order as described.

Trading Floor

The Exchange operates a physical Trading Floor located in Miami, Florida. Only Qualified Floor Orders (“QFOs”) may be transacted on the Trading Floor.³³ QFOs may also be complex orders as defined in Rule 518(a) with no more than the applicable number of legs, as determined by the Exchange and communicated to Participants via Regulatory Circular.³⁴ Additionally, Rule 2040(b) provides that all QFOs must be announced to the trading crowd, as provided in Rule 2030(e)(2), prior to the QFO being submitted to the Exchange’s System to facilitate post-trade workflows.

Proposal

The Exchange now proposes to amend Rule 2040(a)(4) to remove the reference to paragraph (a) of Rule 518. Paragraph (a) of Rule 518 provides a generic definition of what a “complex order” is on the Exchange.³⁵ Exchange Rule 518(b), however, provides a list of

³³ See Exchange Rule 2040(a)(2).

³⁴ See Exchange Rule 2040(a)(4).

³⁵ A “complex order” is any order involving the concurrent purchase and/or sale of two or more different options in the same underlying security (the “legs” or “components” of the complex order), for the same account, in a conforming or non-conforming ratio as defined below for the purposes of executing a particular investment strategy. Mini-options may only be part of a complex order that includes other mini-options. Only those complex orders in the classes designated by the Exchange and communicated to Members via Regulatory Circular with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis and communicated to Members via Regulatory Circular, are eligible for processing. The term complex order also includes stock-option orders. A stock-option order is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share (“ETF”)) or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (i) the same number of units of the underlying security or convertible security, or (ii) the number of units of the underlying stock necessary to create a delta neutral position where the ratio represents the total number of units of the underlying security or convertible security in the option leg to the total number of units of the underlying security or convertible security in the stock leg. A stock-option order may have a conforming or non-conforming ratio as defined below, and is subject to the limitations set forth in Interpretation and Policy .01 of this Rule. Only those stock-option orders in the classes designated by the Exchange and communicated to Members via Regulatory Circular with no more than the applicable number of legs as determined by the Exchange on a class-by-class basis and communicated to Members via Regulatory Circular, are eligible for processing.” See Exchange Rule 518(a).

specific types of complex orders including Complex Customer Cross Order³⁶ and Complex Qualified Contingent Cross Order.³⁷ The Exchange proposes to remove the reference to paragraph (a) so that it is not mistakenly interpreted as excluding the complex order types enumerated in paragraph (b).

Crossing Orders

The Exchange also proposes to amend Exchange Rule 2040 to permit Floor Brokers to execute the Crossing Orders (as identified in this proposal) on the Trading Floor immediately, without being announced to the trading crowd as required by Rule 2040(b), provided that the requirements that allow each of the Crossing Orders to be executed immediately on the electronic market are similarly satisfied on the Trading Floor.

Customer Cross Orders

Specifically, the Exchange proposes to adopt Interpretation and Policy .11 to Exchange Rule 2040 related to Customer Cross Orders. The Exchange proposes to adopt rule text to provide that, “[n]otwithstanding Exchange Rule 2040(b), Customer Cross Orders, as defined in Exchange Rule 516(i), may be executed on the Trading Floor immediately without announcement to the trading crowd provided that the execution (i) is at or between the best bid and offer on the Exchange; (ii) is not at the same price as a Priority Customer Order on the Exchange’s Simple Order Book; (iii) will not trade at a price inferior to the NBBO; and (iv) no trading interest exists on the Exchange’s Simple Order Book that is subject to the Managed Interest Process pursuant to Rule 515(d)(2). Rule 520, Interpretation and Policy .01 applies to Floor Broker execution of Customer Cross Orders.” The requirements that a Floor Broker must satisfy to immediately execute Customer Cross Orders on the Trading Floor are identical to those required in the electronic market pursuant to Exchange Rule 515(g)(1),³⁸ with one minor exception that is not applicable to the Trading Floor due to the separate and distinct execution processes that exist between the electronic market and the Trading Floor. Specifically, the Exchange does not propose to adopt the

³⁶ See Exchange Rule 518(b)(3).

³⁷ See Exchange Rule 518(b)(4).

³⁸ Exchange Rule 515(g)(1) provides that “Customer Cross Orders, as defined in Rule 516(i), are automatically executed upon entry provided that the execution (i) is at or between the best bid and offer on the Exchange; (ii) is not at the same price as a Priority Customer Order on the Exchange’s Simple Order Book; and (iii) will not trade at a price inferior to the NBBO.”

provision in Exchange Rule 515(g)(1) that states, “Customer Cross Orders will be automatically canceled if they cannot be executed.” In the electronic market, Electronic Exchange Members³⁹ will submit a Customer Cross Order directly into the System for execution, and if an order fails to satisfy the requirements of Exchange Rule 515(g)(1), the System will automatically cancel the order. By contrast, a Customer Cross Order may be executed immediately on the Trading Floor prior to the order being submitted into the System for post-trade validation. If an order fails the post-trade validation, the order will be invalidated and returned to the Floor Broker. The processes are substantively similar in that they both ensure that all the requirements necessary to immediately execute a Customer Cross Order are satisfied. Therefore, the Exchange does not propose to adopt the automatic cancellation provision in proposed Interpretation and Policy .11 to Exchange Rule 2040 as a similar mechanism already exists on the Trading Floor. Additionally, the Exchange notes that at least one other options exchange with a trading floor has a rule substantially similar to proposed Interpretation and Policy .11 to Exchange Rule 2040, that requires that the execution (i) be at or between the best bid and offer on the Exchange; (ii) is not at the same price as a Priority Customer Order on the Exchange’s Simple Order Book; and (iii) will not trade at a price inferior to the NBBO.⁴⁰

Complex Customer Cross Orders

The Exchange proposes to adopt Interpretation and Policy .12 to Exchange Rule 2040 related to Complex Customer Cross (“cC2C”) Orders. The Exchange proposes to adopt rule text to provide that, “[n]otwithstanding Exchange Rule 2040(b), cC2C Orders, as defined in Exchange Rule 518(b)(3), with a conforming ratio, may be executed on the Trading Floor immediately without announcement to the trading crowd provided that the requirements of Rule 518(c)(1)(iv) are satisfied and the cC2C Order improves

³⁹ 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.

⁴⁰ See e.g. PHLX Rulebook, Options 8, Section 30(f) (providing, in relevant part, that “Customer Cross Orders are automatically executed upon entry provided that the execution is at or between the best bid and offer on the Exchange and (i) is not at the same price as a Public Customer Order on the Exchange’s limit order book and (ii) will not trade through the NBBO.”)

the best price available on the Exchange's Strategy Book." The Exchange also proposes to adopt paragraph (a) to Interpretation and Policy .12 to provide that, "cC2C Orders may be executed in minimum trading increments of \$0.01." The Exchange proposes to adopt paragraph (b) to Interpretation and Policy .12 to provide that, "cC2C Orders are only available on the Trading Floor in the option classes announced by the Exchange as provided for in Exchange Rule 515(g)(3)(iv)." The Exchange proposes to adopt paragraph (c) to Interpretation and Policy .12 to provide that, "Rule 520, Interpretation and Policy .01 applies to Floor Broker execution of cC2C Orders." The requirements that a Floor Broker must satisfy to immediately execute cC2C Orders on the Trading Floor are identical to those required in the electronic market pursuant to Exchange Rule 515(g)(3),⁴¹ with two minor exceptions. The first exception is related to one of the requirements in Rule 515(g)(3) that is not applicable to the Trading Floor due to the separate and distinct execution processes that exist between the electronic market and the Trading Floor. Specifically, the Exchange does not propose to adopt the provision in Exchange Rule 515(g)(3)(i) that states, "cC2C Orders will be automatically canceled if they cannot be executed." In the electronic market, Electronic Exchange Members will submit a cC2C Order directly into the System for execution, and if an order fails to satisfy the requirements of Exchange Rule 515(g)(3), the System will automatically cancel the order. By contrast, a cC2C Order may be executed immediately on the Trading Floor, prior to the order being submitted into the System for post-trade validation. If an order fails the post-trade validation, the order will be invalidated and returned to the Floor Broker. The processes are substantively similar in that they both ensure that all the requirements necessary to immediately execute a

⁴¹ Exchange Rule 515(g)(3) provides that "cC2C Orders, as defined in Rule 518(b)(3), are automatically executed upon entry provided that: (A) a cC2C Order with a conforming ratio will be executed in accordance with Rule 518(c)(1)(iv) and will improve the best price available on the Strategy Book; and (B) a cC2C Order with a non-conforming ratio will be executed in accordance with Rule 518(c)(1)(v) and will improve the best price available on the Strategy Book. (i) cC2C Orders will be automatically canceled if they cannot be executed. (ii) cC2C Orders may only be entered in minimum trading increments of \$0.01. (iii) Rule 520, Interpretation and Policy .01, applies to the entry and execution of cC2C Orders. (iv) The Exchange will determine, on a class-by-class basis, the option classes in which cC2C Orders are available for trading on the Exchange, and will announce such classes to Members via Regulatory Circular."

cC2C Order are satisfied. Therefore, the Exchange does not propose to adopt the automatic cancellation provision in proposed Interpretation and Policy .12 to Exchange Rule 2040 as a similar mechanism already exists on the Trading Floor. The second exception is that only Complex Customer Cross Orders with a conforming ratio would be permitted to be executed on the Trading Floor immediately without announcement to the trading crowd, as provided in proposed Interpretation and Policy .12. By contrast, today, two Priority Customer Orders in open outcry pursuant to proposed Exchange Rule 2040(a)(4) may be in either conforming or non-conforming ratios.⁴² The Exchange proposes to permit only Complex Customer Cross Orders with a conforming ratio to be executed on the Trading Floor immediately without announcement to the trading crowd in order to align its rules to that of another options exchange that provides a trading floor.⁴³ The Exchange notes that Floor Brokers may continue to cross two Priority Customer Orders in open outcry pursuant to Exchange Rule 2040(a)(4). This would be necessary if a Floor Broker desired to cross two Priority Customer Orders with non-conforming ratios. The Exchange notes that at least one other options exchange with a trading floor has a substantially similar rule that allows for the immediate execution of Complex Customer Cross Orders provided that the order is in a conforming ratio and the order will not trade ahead of a Priority Customer Order on the Simple Order Book without improving the SBBO of at least one option component of the complex strategy.⁴⁴

⁴² As mentioned above, proposed Exchange Rule 2040(a)(4) provides that "QFOs may be complex orders as defined in Rule 518 . . ." Floor Brokers may execute complex orders such as Complex Customer Cross Orders on the Trading Floor. Exchange Rule 518(b)(3) states that ". . . [t]rading of cC2C Orders is governed by Rule 515(g)(3)." Pursuant to Exchange Rule 515(g)(3), cC2C Orders can be entered into the System in either conforming or non-conforming ratios.

⁴³ See PHLX Rulebook, Options 8, Section 30(g) (providing, in relevant part, that "Only Complex Customer Cross Orders with a conforming ratio as defined in Options 1, Section 1(b)(13) will be accepted.").

⁴⁴ See e.g. PHLX Rulebook, Options 8, Section 30(g) (providing, in relevant part, that "Complex Orders may be entered as Customer Cross Orders, as defined in Options 8, Section 32(g). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; (ii) there are no Public Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that comply with the provisions of Options 3, Section 14(c)(2).") Options 3, Section 14(c)(2)(i) provides that Complex Options Strategies may be executed

Qualified Contingent Cross Orders

The Exchange proposes to adopt Interpretation and Policy .13 to Exchange Rule 2040 related to Qualified Contingent Cross Orders. The Exchange proposes to adopt rule text to provide that, "[n]otwithstanding Exchange Rule 2040(b), Qualified Contingent Cross Orders, as defined in Exchange Rule 516(j), may be executed on the Trading Floor immediately without announcement to the trading crowd provided that the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; (ii) is at or between the NBBO; and (iii) no trading interest exists on the Exchange's Simple Order Book that is subject to the Managed Interest Process pursuant to Rule 515(d)(2)." The requirements that a Floor Broker must satisfy to immediately execute Qualified Contingent Cross Orders on the Trading Floor are identical to those required in the electronic market pursuant to Exchange Rule 515(g)(2)⁴⁵ with one minor exception that is not applicable to the Trading Floor due to the separate and distinct execution processes that exist between the electronic market and the Trading Floor. Specifically, the Exchange does not propose to adopt the provision in Exchange Rule 515(g)(2) that states, "Qualified Contingent Cross Orders will be automatically canceled if they cannot be executed." In the electronic market, Electronic Exchange Members will submit a Qualified Contingent Cross Order directly into the System for execution, and if an order fails to satisfy the requirements of Exchange Rule 515(g)(2), the System will automatically cancel the order. By

at a total credit or debit price with one other member organization without giving priority to bids or offers established on the Exchange that are no better than the bids or offers in the individual options series comprising such total credit or debit; provided, however, that if any of the bids or offers established on the Exchange consist of a Public Customer Order, the price of at least one leg of the complex strategy must trade at a price that is better than the corresponding bid or offer on the Exchange by at least one minimum trading increment for the series as defined in Options 3, Section 3. Options 8, Section 30(g) also provides that only Complex Customer Cross Orders with a conforming ratio as defined in Options 1, Section 1(b)(13) will be accepted. The Exchange notes that only Complex Customer Cross Orders with a conforming ratio would be permitted to be executed on the Trading Floor immediately without announcement to the trading crowd as provided in proposed Interpretation and Policy .12, which is substantively similar to PHLX Rulebook, Options 8, Section 30(g).

⁴⁵ Exchange Rule 515(g)(2) provides that "Qualified Contingent Cross Orders, as defined in Rule 516(j), are automatically executed upon entry provided that the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; and (ii) is at or between the NBBO . . ."

contrast, a Qualified Contingent Cross Order may be executed immediately on the Trading Floor, prior to the order being submitted into the System for post-trade validation. If an order fails the post-trade validation, the order will be invalidated and returned to the Floor Broker. The processes are substantively similar in that they both ensure that all the requirements necessary to immediately execute a Qualified Contingent Cross Order are satisfied. Therefore, the Exchange does not propose to adopt the automatic cancellation provision in proposed Interpretation and Policy .13 to Exchange Rule 2040 as a similar mechanism already exists on the Trading Floor. Additionally, the Exchange notes at least one other options exchange with a trading floor has a rule substantially similar to proposed Interpretation and Policy .13 to Exchange Rule 2040 that requires that the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; and (ii) is at or between the NBBO.⁴⁶

Complex Qualified Contingent Cross Orders

The Exchange proposes to adopt Interpretation and Policy .14 to Exchange Rule 2040 related to Complex Qualified Contingent Cross ("cQCC") Orders. The Exchange proposes to adopt rule text to provide that, "[n]otwithstanding Exchange Rule 2040(b), cQCC Orders, as defined in Exchange Rule 518(b)(4), may be executed on the Trading Floor immediately without announcement to the trading crowd provided that, with respect to each option leg of the cQCC Order, the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; and (ii) is at or between the NBBO." The Exchange proposes to adopt paragraph (a) to Interpretation and Policy .14 to provide that, "cQCC Orders may only be executed in the minimum trading increments applicable to complex orders under Exchange Rule 518(c)(1)(i) or 518(c)(1)(ii) if the cQCC Order includes the stock component upon entry." The Exchange proposes to adopt paragraph (b) to Interpretation and Policy .14 to provide that, "cQCC

Orders are only available on the Trading Floor in the option classes announced by the Exchange as provided for in Exchange Rule 515(g)(4)(iii)." The Exchange proposes to adopt paragraph (c) to Interpretation and Policy .14 to provide that, "a cQCC Order may be executed with or without the stock component. A cQCC Order executed without the stock component will be treated as a complex strategy with only option components. A cQCC Order executed with the stock component shall be subject to Exchange Rule 518, Interpretation and Policy .01(a). A Member that submits a cQCC Order to the Exchange's System (with or without the stock component) represents that such order satisfies the requirements of a qualified contingent trade (as described in Interpretations and Policies .01 of Exchange Rule 516) and agrees to provide information to the Exchange related to the execution of the stock component as determined by the Exchange and communicated via Regulatory Circular." The Exchange proposes to adopt paragraph (d) to Interpretation and Policy .14 to provide that, "a cQCC Order with a conforming ratio will be executed in accordance with Exchange Rule 518(c)(1)(iv)." The Exchange proposes to adopt paragraph (e) to Interpretation and Policy .14 to provide that, "a cQCC Order with a non-conforming ratio will be executed in accordance with Exchange Rule 518(c)(1)(v)." The requirements that a Floor Broker must satisfy to immediately execute cQCC Orders on the Trading Floor are identical to those required in the electronic market pursuant to Exchange Rule 515(g)(4)⁴⁷ with one minor exception that is not applicable to the Trading Floor due to the separate and distinct execution processes that exist between the electronic market and the Trading Floor. Specifically, the Exchange does not propose to adopt the provision in Exchange Rule 515(g)(4) that states, "cQCC Orders will be automatically canceled if they cannot be executed." In the electronic market, Electronic Exchange Members will submit a cQCC Order directly into the System for execution, and if an order fails to satisfy the requirements of Exchange Rule 515(g)(4), the System will automatically cancel the order. By contrast, a cQCC Order may be executed immediately on

the Trading Floor, prior to the order being submitted into the System for post-trade validation. If an order fails the post-trade validation, the order will be invalidated and returned to the Floor Broker. The processes are substantively similar in that they both ensure that all the requirements necessary to immediately execute a cQCC Order are satisfied. Therefore, the Exchange does not propose to adopt the automatic cancellation provision in proposed Interpretation and Policy .14 to Exchange Rule 2040 as a similar mechanism already exists on the Trading Floor. Additionally, the Exchange notes at least one other options exchange with a trading floor has a rule substantially similar to proposed Interpretation and Policy .14 to Exchange Rule 2040 that requires, with respect to each option leg of the cQCC Order, that the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; and (ii) is at or between the NBBO.⁴⁸

The purpose of the proposed rule changes is to align and harmonize the rules governing the electronic market and Trading Floor. The Exchange's proposal would permit Floor Brokers to immediately execute the Crossing Orders pursuant to proposed Interpretations and Policies .11 through .14 to Exchange Rule 2040 utilizing the same order entry requirements as the Members that transact business electronically pursuant to Exchange Rule 515(g)(1) through (4). The requirements that a Floor Broker must satisfy to immediately execute the Crossing Orders on the Trading Floor are identical to those required in the electronic market with certain exceptions that are not applicable to the Trading Floor due to the separate and distinct execution processes that exists between the electronic market and the Trading Floor. The Exchange notes that at least one other options exchange with a trading floor has substantially similar rules.⁴⁹

⁴⁶ See e.g. PHLX Rulebook, Options 8, Section 30(e) (providing, in relevant part, that "A Floor Qualified Contingent Cross Order shall be transacted as specified in Options 3, Section 12(c) and (d)."). Options 3, Section 12(c) states that "Qualified Contingent Cross Orders are automatically executed upon entry provided that the execution (i) is not at the same price as a Public Customer Order on the Exchange's limit order book and (ii) is at or between the better of the internal PBBO or the NBBO."

⁴⁷ Exchange Rule 515(g)(4) provides that "cQCC Orders, as defined in Rule 518(b)(4), are automatically executed upon entry provided that, with respect to each option leg of the cQCC Order, the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; and (ii) is at or between the NBBO . . ."

⁴⁸ See e.g. PHLX Rulebook, Options 8, Section 30(e) (providing, in relevant part, that "[a] Floor Qualified Contingent Cross Order shall be transacted as specified in Options 3, Section 12(c) and (d)."). Options 3, Section 12(d) provides, in relevant part, that "Complex Options Orders may be entered as Qualified Contingent Cross Orders so long as . . . (iii) the options legs can be executed at prices that (A) are at or between the better of the internal PBBO or the NBBO for the individual series, and (B) comply with the provisions of Options 3, Section 14(c)(2)(i), provided that no legs of the Complex Options Order can be executed at the same price as a Public Customer Order on the Exchange in the individual options series."

⁴⁹ See supra notes 40, 44, 46, and 48.

QFO With an ISO Designation

The Exchange proposes to adopt Interpretation and Policy .10 to Exchange Rule 2040 to explicitly state that a two-sided order (“Qualified Floor Order” or “QFO”) with an Intermarket Sweep Order (“ISO”) ⁵⁰ designation can be executed on the Trading Floor and entered into the Exchange’s System to facilitate post-trade workflow. The Exchange proposes to add this explicit reference and description of the behavior of a QFO with an ISO designation into the Exchange Rulebook to provide greater detail to the Rulebook.

An Intermarket Sweep Order (“ISO”), as defined in Exchange Rule 1400(i),⁵¹ 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 ⁵² of other Eligible Exchanges ⁵³ as defined in Rule 1400(q) and (g).⁵⁴ A Member may submit an ISO to the Exchange only if it has simultaneously routed one or more additional ISOs to execute against the full displayed size of any Protected

Bid,⁵⁵ in the case of a limit order to sell, or Protected Offer,⁵⁶ in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the ISO.

The Exchange notes that it currently allows a Floor Broker to execute a QFO with an ISO designation. The Exchange now proposes to add this explicit reference and description of the behavior of a QFO with an ISO designation to provide greater detail within the Rulebook. Specifically, the Exchange proposes to adopt Interpretation and Policy .10 to Exchange Rule 2040 to provide that notwithstanding Exchange Rule 2040(e), a QFO with an ISO designation will be processed without regard for better priced Protected Bids or Protected Offers (as defined in Exchange Rule 1400) because the Member submitting the QFO to the Exchange’s System has simultaneously transmitted one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer. The Exchange processes the QFO with an ISO designation in the same manner that it currently processes QFOs without an ISO designation, except that it accepts the QFOs with an ISO designation without protecting away prices. The Member submitting the QFO with an ISO designation shall bear the responsibility to clear all better priced interest away simultaneously with the submission of the QFO with an ISO designation to the Exchange.

The proposed rule change to add an explicit reference and description of the behavior of a QFO with an ISO designation to the Exchange Rulebook is intended to provide greater detail within the Exchange’s Rulebook.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵⁷ in general, and furthers the objectives of Section 6(b)(5) ⁵⁸ of the Act in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in 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.

The proposal to add an explicit reference and description of the behavior of a QFO with an ISO designation to the Exchange’s Rulebook is designed to provide greater detail within the Exchange’s Rulebook. The proposal to amend Exchange Rule 2040(a)(4) is to ensure that it is not mistakenly interpreted as excluding the complex order types enumerated in paragraph (b). These proposed rule changes are not as a result of any changes made to the Exchange functionality, operations, policies or procedures, but are rather designed to provide greater detail and better reflect the current operation of the Exchange’s Trading Floor in the Exchange’s Rulebook. These proposed non-substantive changes would ensure that the Exchange’s Rules are clear, concise, and easier to understand. In addition, the proposed rule changes would reduce potential investor and market participant confusion and therefore remove impediments to and perfect the mechanism of a free and open market and a national market system by ensuring that investors and market participants can more easily navigate, understand and comply with the Exchange’s Rules. The Exchange also believes that the proposed rule changes would remove impediments to and perfect the mechanism of a free and open market by ensuring that persons subject to the Exchange’s jurisdiction, regulators, and the investing public can more easily navigate and understand the Exchange’s Rules. The proposed rule changes are consistent with the public interest and the protection of investors because investors will not be harmed and in fact would benefit from the increased transparency and clarity, thereby reducing potential confusion.

Permitting Floor Brokers to immediately execute Crossing Orders (as defined herein) without having to first announce the order to the trading crowd is consistent with the Act because it would permit Floor Brokers to execute these orders similarly to how these orders are executed on the electronic market, provided similar requirements for each specific order type are similarly satisfied. The Exchange believes that the proposed rule changes would remove impediments to and perfect the mechanism of a free and open market by placing Floor Brokers on equal footing with Members that trade Crossing Orders electronically. The proposed rule changes are consistent with the public interest and the protection of investors because it would harmonize the

⁵⁰ 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).

⁵¹ Rule 1400 contained in Chapter XIV of MIAAX Options Exchange Rulebook is incorporated by reference into MIAAX Sapphire Options Exchange Rulebook and therefore is a MIAAX Sapphire Rule applicable to MIAAX Sapphire Members. See Chapter XIV of the MIAAX Sapphire Options Exchange Rulebook.

⁵² “Protected Quotation” means a Protected Bid or Protected Offer. See Exchange Rule 1400(q).

⁵³ “Eligible Exchange” means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (1) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (2) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (3) if the national securities exchange is not a party to the Options Order Protection and Locked/Crossed Markets Plan as defined below, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection. See Exchange Rule 1400(g).

⁵⁴ See Exchange Rule 516(f).

⁵⁵ “Protected Bid” or “Protected Offer” means a Bid or Offer in an options series, respectively, that: (a) is disseminated pursuant to the OPRA Plan; and (b) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. See Exchange Rule 1400(p).

⁵⁶ See *Id.*

⁵⁷ 15 U.S.C. 78f(b).

⁵⁸ 15 U.S.C. 78f(b)(5).

requirements for immediate execution of Crossing Orders on the Trading Floor to those of the electronic market, with certain exceptions as discussed above.

Customer Cross Orders

Identical to Members that transact electronically, with one minor exception that is not applicable to the Trading Floor due to the separate and distinct execution processes, Floor Brokers may immediately execute Customer Cross Orders on the Trading Floor provided the requirements mandated for automatic execution in the electronic market are similarly satisfied on the Trading Floor. Specifically, a Customer Cross Order may be executed immediately on the Trading Floor so long as the execution (i) is at or between the best bid and offer on the Exchange; (ii) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; (iii) will not trade at a price inferior to the NBBO; and (iv) no trading interest exists on the Exchange's Simple Order Book that is subject to the Managed Interest Process pursuant to Rule 515(d)(2).⁵⁹ The Exchange does not propose to adopt the provision in Exchange Rule 515(g)(1) that states, "Customer Cross Orders will be automatically canceled if they cannot be executed." In the electronic market, Electronic Exchange Members will submit a Customer Cross Order directly into the System for execution, and if an order fails to satisfy the requirements of Exchange Rule 515(g)(1), the System will automatically cancel the order. By contrast, a Customer Cross Order may be executed immediately on the Trading Floor, prior to the order being submitted into the System for post-trade validation. If an order fails the post-trade validation, the order will be invalidated and returned to the Floor Broker. The processes are substantively similar in that they both ensure that all the requirements necessary to immediately execute a Customer Cross Order are satisfied. Therefore, the Exchange does not propose to adopt the automatic cancellation provision in proposed Interpretation and Policy .11 to Exchange Rule 2040 as a similar mechanism already exists on the Trading Floor.

Complex Customer Cross Orders

Additionally, identical to Members that transact electronically, with two minor exceptions, Floor Brokers may immediately execute cC2C Orders on the Trading Floor provided the requirements mandated for automatic

execution in the electronic market are similarly satisfied on the Trading Floor. Specifically, a cC2C Order may be executed immediately on the Trading Floor so long as: the requirements of Rule 515(c)(1)(iv) are satisfied and the cC2C Order improves the best price available on the Exchange's Strategy Book.⁶⁰ The first exception is related to one of the requirements in Rule 515(g)(3) that is not applicable to the Trading Floor due to the separate and distinct execution processes that exist between the electronic market and the Trading Floor. The Exchange does not propose to adopt the provision in Exchange Rule 515(g)(3)(i) that states, "cC2C Orders will be automatically canceled if they cannot be executed." In the electronic market, Electronic Exchange Members will submit a cC2C Order directly into the System for execution, and if an order fails to satisfy the requirements of Exchange Rule 515(g)(3), the System will automatically cancel the order. By contrast, a cC2C Order may be executed immediately on the Trading Floor, prior to the order being submitted into the System for post-trade validation. If an order fails the post-trade validation, the order will be invalidated and returned to the Floor Broker. The processes are substantively similar in that they both ensure that all the requirements necessary to immediately execute a cC2C Order are satisfied. Therefore, the Exchange does not propose to adopt the automatic cancellation provision in proposed Interpretation and Policy .12 to Exchange Rule 2040 as a similar mechanism already exists on the Trading Floor. The second exception is that the Exchange would permit only cC2C Orders with a conforming ratio to be executed on the Trading Floor immediately without announcement to the trading crowd in order to align its rules with those of other options exchanges. The Exchange notes that at least one other options exchange similarly permits only Complex Customer Cross Orders with a conforming ratio to be executed on the Trading Floor immediately without announcement to the trading crowd.⁶¹

Qualified Contingent Cross Orders

Identical to Members that transact electronically, with one minor exception that is not applicable to the Trading Floor due to the separate and

⁶⁰ See proposed Interpretation and Policy .12 to Exchange Rule 2040.

⁶¹ See PHLX Rulebook, Options 8, Section 30(g) (providing, in relevant part, that "Only Complex Customer Cross Orders with a conforming ratio as defined in Options 1, Section 1(b)(13) will be accepted.").

distinct execution processes, Floor Brokers may immediately execute Qualified Contingent Cross Orders on the Trading Floor provided the requirements mandated for automatic execution in the electronic market are similarly satisfied on the Trading Floor. Specifically, a Qualified Contingent Cross Order may be executed immediately on the Trading Floor so long as the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; (ii) is at or between the NBBO; and (iii) no trading interest exists on the Exchange's Simple Order Book that is subject to the Managed Interest Process pursuant to Rule 515(d)(2).⁶² The Exchange does not propose to adopt the provision in Exchange Rule 515(g)(2) that states, "Qualified Contingent Cross Orders will be automatically canceled if they cannot be executed." In the electronic market, Electronic Exchange Members will submit a Qualified Contingent Cross Order directly into the System for execution, and if an order fails to satisfy the requirements of Exchange Rule 515(g)(2), the System will automatically cancel the order. By contrast, a Qualified Contingent Cross Order may be executed immediately on the Trading Floor, prior to the order being submitted into the System for post-trade validation. If an order fails the post-trade validation, the order will be invalidated and returned to the Floor Broker. The processes are substantively similar in that they both ensure that all the requirements necessary to immediately execute a Qualified Contingent Cross Order are satisfied. Therefore, the Exchange does not propose to adopt the automatic cancellation provision in proposed Interpretation and Policy .13 to Exchange Rule 2040 as a similar mechanism already exists on the Trading Floor.

Complex Qualified Contingent Cross Orders

Identical to Members that transact electronically, with one minor exception that is not applicable to the Trading Floor due to the separate and distinct execution processes, Floor Brokers may immediately execute cQCC Orders on the Trading Floor provided the requirements mandated for automatic execution in the electronic market are similarly satisfied on the Trading Floor. Specifically, a cQCC Order may be executed immediately on the Trading Floor so long as: with respect to each option leg of the cQCC

⁶² See proposed Interpretation and Policy .13 to Exchange Rule 2040.

⁵⁹ See proposed Interpretation and Policy .11 to Exchange Rule 2040.

Order, the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Simple Order Book; and (ii) is at or between the NBBO.⁶³ The Exchange does not propose to adopt the provision in Exchange Rule 515(g)(4) that states, "cQCC Orders will be automatically canceled if they cannot be executed." In the electronic market, Electronic Exchange Members will submit a cQCC Order directly into the System for execution, and if an order fails to satisfy the requirements of Exchange Rule 515(g)(4), the System will automatically cancel the order. By contrast, a cQCC Order may be executed immediately on the Trading Floor, prior to the order being submitted into the System for post-trade validation. If an order fails the post-trade validation, the order will be invalidated and returned to the Floor Broker. The processes are substantively similar in that they both ensure that all the requirements necessary to immediately execute a cQCC Order are satisfied. Therefore, the Exchange does not propose to adopt the automatic cancellation provision in proposed Interpretation and Policy .14 to Exchange Rule 2040 as a similar mechanism already exists on the Trading Floor.

Further, the Exchange believes it is consistent with the Act and the protection of investors to permit the Crossing Orders to be executed on the Trading Floor immediately without announcement to the trading crowd. This would place them on equal footing with Members that trade these orders electronically. With this proposal, Floor Brokers may only immediately execute c2C Orders (without announcement) if such orders are in conforming ratios as proposed in Interpretation and Policy .12 to Exchange Rule 2040, however Floor Brokers would be able to continue to cross two Priority Customer Orders in open outcry pursuant to Exchange Rule 2040(a)(4). This would be necessary if a Floor Broker desired to cross two Priority Customer Orders with non-conforming ratios because under proposed Interpretation and Policy .12 to Exchange Rule 2040 only Complex Customer Cross Orders with a conforming ratio are accepted for electronic processing. The Exchange proposes to permit only Complex Customer Cross Orders with a conforming ratio to be executed on the Trading Floor immediately without announcement to the trading crowd in order to align its rules with that of another options exchange that has a trading floor. Specifically, the Exchange

⁶³ See proposed Interpretation and Policy .14 to Exchange Rule 2040.

notes that at least one other options exchange similarly permits only Complex Customer Cross Orders with a conforming ratio to be executed on the Trading Floor immediately without announcement to the trading crowd.⁶⁴

Permitting Floor Brokers to only submit cQCC Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS is consistent with the Act and the protection of investors.⁶⁵ Proposed Interpretation and Policy .14(c) to Exchange Rule 2040 will require that Floor Brokers submitting such orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. This proposal is consistent with today's treatment of Complex Orders with a stock/ETF component and is not changing the manner in which a Complex Order with a stock/ETF component is treated today on the Exchange.⁶⁶

Section 11(a) and the rules thereunder generally prohibit members of an exchange from effecting transactions on the exchange for their own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion unless an exemption applies.⁶⁷ With respect to the application of the Crossing Orders to Section 11(a) of the Act and the rules thereunder, the Exchange notes that the entry and execution of the Crossing Orders raises no novel issues under Section 11(a) and the rules thereunder from a compliance, surveillance or enforcement perspective. Floor Brokers are required to comply and the Exchange surveils for compliance with Section 11(a) and the rules thereunder when using Exchange systems to effect transactions using existing order types, and they will be required to comply with Section 11(a) and the rules thereunder when using the Crossing Orders as amended.⁶⁸

⁶⁴ See *supra* note 43.

⁶⁵ See proposed Interpretation and Policy .14(c) of Exchange Rule 2040.

⁶⁶ See Interpretation and Policy .01 of Exchange Rule 518.

⁶⁷ See 15 U.S.C. 78k(a). Section 11(a) contains multiple exemptions, including exemptions for those acting in the capacity of market makers, as odd-lot dealers, and those engaged in stabilizing conduct; there are also rule-based exemptions such as the "effect vs. execute" exception under SEC Rule 11a2-2(T) under the Act. See 17 CFR 240.11a2-2(T).

⁶⁸ See also Interpretation and Policy .05 of Exchange Rule 2040.

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

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

Intramarket Competition

The Exchange believes the proposed rule changes do not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes to add an explicit reference and description of the behavior of a QFO with an ISO designation to the Exchange's Rulebook and amend Exchange Rule 2040(a)(4) to remove the reference to paragraph (a) of Rule 518 are not intended to address competitive issues but rather are concerned solely with making clarifying changes to the rule text with no proposed changes to related functionality. The proposal to permit Floor Brokers to execute certain Crossing Orders on the Trading Floor immediately without announcement to the trading crowd does not impose any burden on intramarket competition because today Members that transact electronically are subject to identical rules, with certain exceptions that are not applicable to the Trading Floor due to the distinct execution processes, and may enter such orders without exposing such orders. The proposal does not impose an undue burden on intramarket competition because all Floor Brokers may similarly execute Crossing Orders.

Intermarket Competition

The Exchange believes the proposed rule changes do not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes to add an explicit reference and description of the behavior of a QFO with an ISO designation to the Exchange's Rulebook and amend Exchange Rule 2040(a)(4) to remove the reference to paragraph (a) of Rule 518 are not intended to address competitive issues but rather are concerned solely with making clarifying changes to the rule text with no proposed changes to related functionality. The proposal to permit Floor Brokers to execute certain Crossing Orders on the Trading Floor immediately without announcement to the trading crowd does not impose any burden on intermarket competition because at least one other options

exchange with a trading floor has similar rules.⁶⁹

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 designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act⁷⁰ and Rule 19b-4(f)(6)⁷¹ thereunder. Because the 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 filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁷² and Rule 19b-4(f)(6)⁷³ thereunder.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act⁷⁴ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)⁷⁵ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange states that waiving the operative delay will allow the Exchange to make clarifying changes to its rule text immediately, which will benefit investors and the public interest because such changes would add clarity to the Exchange's rules and therefore alleviate potential investor or market participant confusion. Further, the Exchange states that waiver of the operative delay will permit Floor Brokers immediately to execute Crossing Orders on the Trading Floor without requiring prior announcement

to the trading crowd, to the benefit of market participants, and would align and harmonize its rules governing its electronic market and its Trading Floor, thereby placing Floor Brokers on an equal footing with Members that trade Crossing Orders electronically. The Exchange also states that another options exchange with a trading floor has similar rules.⁷⁶ For these reasons, and because the proposal raises no new or novel legal or regulatory issues, the Commission finds that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change to be operative immediately upon filing.⁷⁷

At any time within 60 days of the filing of this 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 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-SAPPHIRE-2026-19 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-SAPPHIRE-2026-19. 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-SAPPHIRE-2026-19 and should be submitted on or before May 29, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷⁸

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2026-09130 Filed 5-7-26; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105374; File No. SR-LCH SA-2026-002]

Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to the CDS Clearing Rules (AMF Outsourcing; EMIR SITG; EU CCPRR)

May 5, 2026.

I. Introduction

On March 10, 2026, Banque Centrale de Compensation, which conducts business under the name LCH SA ("LCH SA"), filed with the Securities and Exchange Commission (the "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to submit for Commission approval to amend its CDS Clearing Rule Book ("Rule Book"). The proposed rule change was published for comment in the **Federal Register** on March 26, 2026.³ The Commission did not receive comments regarding the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

LCH SA is a clearing agency registered with the Commission.

⁷⁸ 17 CFR 200.30-3(a)(12) and (59).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 105066 (March 23, 2026), 91 FR 14731 (March 26, 2026) (File No. SR-LCH SA-2026-002) ("Notice").

⁶⁹ See *supra* notes 40, 44, 46, and 48.

⁷⁰ 15 U.S.C. 78s(b)(3)(A).

⁷¹ 17 CFR 240.19b-4(f)(6).

⁷² 15 U.S.C. 78s(b)(3)(A).

⁷³ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its 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.

⁷⁴ 17 CFR 240.19b-4(f)(6).

⁷⁵ 17 CFR 240.19b-4(f)(6)(iii).

⁷⁶ See *supra* notes 40, 44, 46, and 48.

⁷⁷ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).