



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104906; File No. SR-SAPPHIRE-2025-32]

Self-Regulatory Organizations; MIAX Sapphire, LLC; Order Approving Proposed Rule Change, as Modified by Amendment No. 1, to Amend Exchange Rule 527 (Exchange Liability)

February 27, 2026.

I. Introduction

On August 15, 2025, MIAX Sapphire, LLC (“MIAX Sapphire” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Exchange Rule 527, Exchange Liability, to provide a one-time accommodation payment to Members³ for claims arising from the System⁴ difficulties that the Exchange experienced on June 3, 2025 as a result of an operational error (hereinafter referred to as the “Operational Error”).⁵ The proposed rule change was published for comment in the Federal Register on September 3, 2025.⁶

On September 25, 2025, pursuant to Section 19(b)(2) of the Act,⁷ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.⁸ On September 26, 2025, the Exchange filed Amendment No. 1 to the proposed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See infra note 12.

⁴ See infra note 13.

⁵ See Section II below (describing the Operational Error).

⁶ See Securities Exchange Act Release No. 103795 (Aug. 28, 2025), 90 FR 42651.

⁷ 15 U.S.C. 78s(b)(2).

⁸ See Securities Exchange Act Release No. 104050, 90 FR 47008 (Sept. 30, 2025). The Commission

rule change, which amended and replaced the proposed rule change as originally filed and superseded such filing in its entirety. On December 2, 2025, the Commission issued notice of the filing of Amendment No. 1 to the proposed rule change and instituted proceedings pursuant to Section 19(b)(2)(B) of the Act⁹ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1.¹⁰ The Commission has received no comments regarding the proposed rule change. This order approves the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

Currently, Exchange Rule 527(a) sets forth general limitations on the liability of the Exchange and its directors, officers, committee members, limited liability company members, employees, or agents.¹¹ Exchange Rule 527(b) describes exceptions to the Exchange’s general limitation of liability rule to allow for the payment of compensation to Members¹² for claims or losses that arise from a System¹³ issue that impacts the use or enjoyment of the facilities or services afforded by the Exchange, subject to certain conditions that limit the maximum amount of Exchange liability.¹⁴ The Exchange proposes to amend Exchange Rule 527 to establish a voluntary one-time payment to Members in excess of the current limitation of liability set forth in Exchange Rule 527(b) for claims arising from the Operational Error on June 3, 2025,¹⁵ in an

designated December 2, 2025, as the date by which the Commission must approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

⁹ 15 U.S.C. 78s(b)(2)(B).

¹⁰ See Securities Exchange Act Release No. 104294, 90 FR 56235 (Dec. 5, 2025) (“Notice of Amendment No. 1 & OIP”).

¹¹ See Exchange Rule 527(a).

¹² The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of the Exchange’s 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.

¹³ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

¹⁴ See Exchange Rule 527(b). See also Notice of Amendment No. 1 & OIP, supra note 10, at 56236.

¹⁵ The Operational Error caused the Exchange’s simulation/testing environment to connect to MIAX Sapphire’s production ports and inject data into the Exchange’s matching engines in the live trading

amount not to exceed \$525,000 in the aggregate.¹⁶ The Exchange proposes to implement the proposed payment process upon approval of the proposal and expects to fully compensate all Members that incurred a loss that has been validated by the Exchange and occurred as a result of the Operational Error.¹⁷

The Exchange proposes to establish new subparagraph (e) to Exchange Rule 527, which will allow for a one-time payment program in excess of Exchange liability limits, notwithstanding subparagraphs (b)(1)-(3)¹⁸ and subparagraph(c)¹⁹ of Exchange Rule 527. Specifically, under proposed subparagraph (e), for the single trading day of June 3, 2025 and the full calendar month of June 2025, the total amount of the Exchange’s liability will not exceed \$525,000 for the aggregate of all claims alleged by all market participants related to the System difficulties resulting from the Operational Error.²⁰ Further, proposed subparagraph (e) sets forth

environment. Upon discovery of the error, the Exchange halted trading in all symbols and, as discussed below, canceled all trades that occurred during the relevant time period. See Notice of Amendment No. 1 & OIP, supra note 10 at 56235-36 (providing description of the Operational Error and its aftermath).

¹⁶ See Notice of Amendment No. 1 & OIP, supra note 10, at 56235-36. According to the Exchange, the majority of claims are from customers of Member firms who utilize a Member firm as their introducing broker to access and submit orders to the Exchange for execution. Id. at 56236, n.11.

¹⁷ See id. at 56235.

¹⁸ Subparagraphs (b)(1) through (b)(3) of Exchange Rule 527 set forth the limitations on liability for claims made by Members, individually and in the aggregate, related to Exchange System issues that impact the use or enjoyment of the facilities of the Exchange. Specifically, the current liability limits are as follows: (1) as to any one or more claims made by a single Member growing out of the use or enjoyment of the facilities afforded by the Exchange on a single trading day, the Exchange shall not be liable in excess of the larger of \$100,000 or the amount of any recovery obtained by the Exchange under any applicable insurance maintained by the Exchange; (2) as to the aggregate of all claims made by all Members growing out of the use or enjoyment of the facilities afforded by the Exchange on a single trading day, the Exchange shall not be liable in excess of the larger of \$250,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange; and (3) as to the aggregate of all claims made by all Members growing out of the use or enjoyment of the facilities afforded by the Exchange during a single calendar month, the Exchange shall not be liable in excess of the larger of \$500,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange.

¹⁹ Subparagraph (c) of Exchange Rule 527 provides that “[i]f all of the claims arising out of the use or enjoyment of the facilities afforded by the Exchange cannot be fully satisfied because in the aggregate they exceed the applicable maximum amount of liability provided for in paragraph (b) . . . then such maximum amount shall be allocated among all such claims arising on a single trading day or during a single calendar month, as applicable, written notice of which has been given to the Exchange no later than the opening of trading on the next business day following the day on which the use or enjoyment of Exchange facilities giving rise to the claim occurred, based upon the proportion that each such claim bears to the sum of all such claims.” Exchange Rule 527(c). Accordingly, the Exchange proposes that the notice requirement of Exchange Rule 527(c) will not apply to claims submitted under proposed paragraph (e) to Exchange Rule 527. See Notice of Amendment No. 1 & OIP, supra note 10, at 56238, n.21.

²⁰ See proposed Exchange Rule 527(e).

the eligibility requirements for such claims for payment, limits compensation to claims previously filed with and validated by the Exchange, and provides that no new additional claims arising out of the Operational Error will be accepted.²¹ The Exchange represents that it has received all claims related to the Operational Error and expects that all Members will be fully compensated for their claims arising from the Operational Error.²²

Proposed subparagraph (e)(1) of Exchange Rule 527 provides that all claims for compensation must arise solely from realized trading losses from executions that occurred on the Exchange on June 3, 2025 between 11:18 a.m. and 11:33 a.m. Eastern Time (the “Timeframe”) that the Exchange subsequently canceled pursuant to Exchange Rule 523, causing Members to execute a new trade on the Exchange or at an away-exchange to replace the canceled trade. Proposed subparagraphs (e)(1)(i)-(ii) describe the process the Exchange used to determine a Member’s trading losses. Specifically, for trading losses that resulted from a Member executing the replacement trade²³ on MIAX Sapphire, the Exchange validated: (1) that the canceled trade took place on MIAX Sapphire during the Timeframe of the Operational Error based on the Member’s MPID²⁴; (2) the execution price of the canceled trade; (3) that the replacement trade took place on MIAX Sapphire; and (4) the execution price of the replacement trade. Further, for trading losses that resulted from a Member executing the replacement trade on an away-exchange, the Exchange validated: (1) that the canceled trade took place on MIAX Sapphire

²¹ See Notice of Amendment No. 1 & OIP, supra note 10, at 56238; proposed Exchange Rule 527(e). According to the Exchange, immediately following the Operational Error, the Exchange’s Regulatory Operations Department spoke to each Member to discuss the Operational Error, the Exchange’s proposed method of remedying trades based on erroneous simulation/testing environment data, and the manner in which Members should submit claims for compensation. See Notice of Amendment No. 1 & OIP, supra note 10, at 56239. The Exchange further states that it independently verified each Member’s claim and confirmed the loss amount with each Member prior to submitting the proposed rule change. See id. at 56236-37 (providing detailed explanation regarding the Exchange’s verification process).

²² See Notice of Amendment No. 1 & OIP, supra note 10, at 56238. According to the Exchange, the total claims received and validated by the Exchange equal approximately \$500,000. See id. at 56239.

²³ For purposes of Exchange Rule 527(e), unless stated otherwise, the term “replacement trade” is construed to mean the new trade executed by a Member on MIAX Sapphire or at an away-exchange that was executed to replace the original trade that was canceled by MIAX Sapphire during the timeframe of the Operational Error. See proposed Exchange Rule 527(e)(1)(iii).

²⁴ The term “MPID” means unique market participant identifier. See Exchange Rule 100.

during the Timeframe of the Operational Error based on the Member's MPID; (2) the execution price of the canceled trade; and (3) the execution price of the replacement trade.²⁵ In either case, the measure of loss was calculated based on the difference between the execution prices of the canceled trade and the replacement trade.²⁶

Under the proposal, all payments will be made in cash and will not be made until this proposed rule change becomes effective and final.²⁷ Further, payments to Members under proposed Exchange Rule 527(e) will be contingent on a Member submitting to the Exchange an attestation within 14 calendar days after the effective date of the proposed rule change (i.e., the date of Commission approval) detailing the following information for each original trade that was canceled by the Exchange that took place during the Timeframe of the Operational Error and each replacement trade: (1) trade date; (2) execution time; (3) symbol; (4) strike price; (5) expiration date; (6) side (buy or sell); (7) quantity; (8) venue (on MIAX Sapphire or an away-exchange); (9) notional value; and (10) claimed loss amount. Failure to provide the required attestation will void the Member's eligibility to receive a payment.²⁸ Each Member will be required to maintain books and records that detail the nature and amount of their losses.²⁹

Finally, all payments to Members will be contingent upon the execution and delivery to the Exchange of a release by the Member of all claims by it or its affiliates³⁰ against the Exchange or its affiliates for losses that arise out of, are associated with, or relate in any way to the Operational Error or to any actions or omissions related in any way to the Operational Error.

²⁵ The Exchange validated the execution price of the replacement trade by comparing such price against the closing or opening price of the option, depending on the time of execution, as well as the size of the replacement trade in comparison to the original trade that was canceled. See proposed Exchange Rule 527(e)(1)(ii).

²⁶ See proposed Exchange Rule 527(e)(1)(i) and (ii).

²⁷ See proposed Exchange Rule 527(e)(2).

²⁸ See proposed Exchange Rule 527(e)(3).

²⁹ See id.

³⁰ The term "affiliate" or person "affiliated with" another person means a person who, directly, or indirectly, controls, is controlled by, or is under common control with, such other person. See Exchange Rule 100.

Failure to provide the required release within 14 calendar days after the effective date of the proposed rule change will void the Member's eligibility to receive a payment for its claim.³¹ The Exchange states that participation in the proposed payment program is voluntary on the part of Members and the program is designed to quantify and provide compensation in an objectively discernable manner for customer losses there were directly attributable to the Operational Error.³²

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.³³ In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act,³⁴ which requires, among other things, 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, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As discussed above, the Exchange's current limitation of liability rules limit the amount of compensation Members may receive for claims or losses that arise from a System issue that impacts the use or enjoyment of the facilities or services afforded by the Exchange. In particular, under existing Exchange Rules 527(b)(1)-(3), payment for all claims cannot exceed the larger of

³¹ See proposed Exchange Rule 527(e)(4).

³² See Notice of Amendment No. 1 & OIP, *supra* note 10, at 56238-39.

³³ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

³⁴ 15 U.S.C. 78f(b)(5).

(1) \$100,000 for claims made by a single Member related to a single trading day, \$250,000 for the aggregate of all claims made by all Members related to a single trading day, or \$500,000 for all claims made by all Members related to a single calendar month, respectively; or (2) the amount of the recovery obtained by the Exchange under any applicable insurance.³⁵ The Exchange proposes to amend Exchange Rule 527 to provide a one-time voluntary payment program for claims arising from the Operational Error it experienced on June 3, 2025. The proposed rule change would create a means of providing significantly more compensation to compensate Members for eligible claims arising from the Operational Error than would otherwise be permitted under current Exchange Rule 527 and the Exchange expects that the \$525,000 aggregate amount would be sufficient to fully compensate Members for losses arising out of the Operational Error. Further, the Exchange states that this type of payment policy is not without precedent.³⁶

It is consistent with Section 6(b)(5) of the Act³⁷ and in the public interest for the Exchange to allow for a one-time accommodation payment in excess of its current limitation of liability rules so that it can fully compensate Members for losses incurred in connection with the Operational Error the Exchange experienced on June 3, 2025. The Exchange's proposal provides clear and objective eligibility criteria and a transparent process for the submission and verification of Member claims. As discussed above, proposed subparagraphs (e)(1)(i)-(ii) of Exchange Rule 527 describe the criteria and process the Exchange used to determine a Member's trading losses, and subparagraphs (e)(3) and (4) set forth the parameters and timing required for proper attestation and release of claims in connection with the Operational Error. The Exchange states that it has received and verified all claims. For the reasons discussed, the Commission

³⁵ See Exchange Rule 527(b)(1)-(3).

³⁶ See Notice of Amendment No. 1 & OIP, *supra* note 10, at 56236, n.12 and accompanying text (stating that the Exchange's proposal is substantively similar to the one-time payment plan set forth in SR-NASDAQ-2012-090, which provided compensation in connection with an operational error in excess of Nasdaq's then in effect limitations on liability rules).

³⁷ 15 U.S.C. 78f(b)(5).

finds that the Exchange's proposal to amend existing Exchange Rule 527 to establish a liability limit not to exceed \$525,000 so that it can fully compensate Members for claims related to the System difficulties that resulted in connection with the Operational Error on June 3, 2025, and to follow the process set forth herein to provide such compensation, is consistent with the Section 6(b)(5) of the Act.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,³⁸ that the proposed rule change (SR-SAPPHIRE-2025-32), as modified by Amendment No. 1, be and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁹

Sherry R. Haywood,

Assistant Secretary.

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³⁸ 15 U.S.C. 78s(b)(2).

³⁹ 17 CFR 200.30-3(a)(12).