SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-103616; File No. SR-MX2-2025-02)

Self-Regulatory Organizations; MX2 LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 11.3 Regarding Sponsored Access

August 1, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on July 28, 2025, MX2 LLC ("MX2" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] 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 with the Commission a proposal to amend Exchange Rules 11.3(a)-(b) to define the term "Sponsored Access" and to codify that the agreement required by and between the Sponsoring Member and Sponsored Participant must include a provision that any Sponsored Access relationship must follow the requirements of SEC Rule 15c3-5, the Market Access Rule ("MAR").[5] The text of the proposed rule change is provided in Exhibit 5

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A).

4 17 CFR 240.19b-4.

5 17 CFR 240.15c3-5.

and is available on the Exchange's website at https://info.memxtrading.com/regulation/rules-and-filings/.[6]

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 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 aspects 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 Exchange Rules 11.3(a)-(b) to define the term "Sponsored Access" and to codify that the agreement required by and between the Sponsoring Member and Sponsored Participant must include a provision that any Sponsored Access relationship must follow the requirements of the MAR.

Sponsored Access Definition

Per current Exchange rules a Sponsored Participant[7] may be a Member[8] or non- Member of the Exchange whose direct electronic access to the Exchange is authorized by a Sponsoring

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6 The Exchange proposes to implement the proposed changes to Exchange Rules 11.3(a)-(b) on a date that will be announced via Regulatory Notice, notifying both existing and prospective Sponsoring Members and Sponsored Participants, of the new rule language and required contractual provisions.

7 The term "Sponsored Participant" means a person which has entered into a sponsorship arrangement with a Sponsoring Member pursuant to Rule 11.3. See Exchange Rule 1.5(dd).

8 The term "Member" means any registered broker or dealer that has been admitted to membership in the Exchange. A Member will have the status of a "member" of the Exchange as that term is defined in Section 3(a)(3) of the Act. Membership may be granted to a sole proprietor, partnership, corporation, limited liability company or other organization which is a registered broker or dealer pursuant to Section 15 of the Act, and which has been approved by the Exchange. See Exchange Rule 1.5(p).

Member[9] pursuant to the requirements set forth in Exchange Rules 11.3(b)(1)-(3). The Exchange proposes to amend Exchange Rule 11.3(a) to include the following definition, "Sponsored Access shall mean an arrangement whereby a Member permits its Sponsored Participants to enter orders into the Exchange's System that bypass the Member's trading system and are routed directly to the Exchange, including through a service bureau or other third-party technology provider." The Exchange notes that the proposed definition of Sponsored Access is identical to that adopted[10] by Cboe BZX Exchange, Inc. ("Cboe BZX") and substantively identical to that adopted[11] by The Nasdaq Stock Market LLC ("Nasdaq"). The Exchange believes defining Sponsored Access will provide Sponsoring Members with greater clarity in understanding which types of market access relationships[12] are subject to Exchange Rules

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9 The term "Sponsoring Member" shall mean a Member that is a registered broker-dealer and that has been designated by a Sponsored Participant to execute, clear and settle transactions from the System. The Sponsoring Member shall be either (i) a clearing firm with membership in a clearing agency registered with the Commission that maintains facilities through which transactions may be cleared or (ii) a correspondent firm with a clearing arrangement with any such clearing firm. See Exchange Rule 1.5(ee).

10 See Securities and Exchange Act Release No. 34-97146) (March 15, 2023) 88 FR 17065 (March 21, 2023) (SR-CboeBZX-2023-015) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Sponsored Participant Rules 11.3(a) and 11.3(b)(2)); Cboe BZX Rule 11.3(a), available at: https://cdn.cboe.com/resources/regulation/rule_book/BZX_Exchange_Rulebook.pdf.

11 See Securities and Exchange Act Release No. 34-76449) (November 27, 2015) 80 FR 73011 (November 23, 2015) (SR-NASDAQ-2015-140) (Notice of Filing and Immediate Effectiveness of the Proposed Rule Change Relating to Sponsored Access); Nasdaq General Equity and Options Rule, General 2: General Provisions, Section 22(a), available at: https://listingcenter.nasdaq.com/rulebook/Nasdaq/rules.

12 Consistent with the proposed definition, such relationships generally include where a broker-dealer allows its customer – such as a hedge fund, mutual fund, bank or insurance company, an Exchange registered market maker, an individual, or another broker-dealer – to use the broker-dealer's market participant identifier ("MPID") or other mechanism or mnemonic to enter orders into the Exchange's System that bypass the Sponsoring Member's order handling system and are electronically routed directly to the Exchange by the Sponsored Participant, including through a service bureau or other third-party technology provider. For the avoidance of doubt, in a scenario where a Sponsored Participant is also an Exchange Member (e.g., where a Sponsored Member provides market access to an Exchange Member Market Maker), (i) the Sponsored Participant will be subject to all Exchange rules and regulations applicable to Members acting in their own capacity, whether the Sponsored Participant accesses the Exchange via their own Membership or via a Sponsored Access arrangement; and (ii) the Sponsoring Member will be responsible for the Sponsored Participant activity just as it would for any other non-Member Sponsored Participant under Rule 11.3(b), including compliance with the MAR requirements and for compliance with the applicable Member-related activity electronically routed to the Exchange via the Sponsored Access arrangement (e.g., the Sponsoring Member would be required to hold appointments and would be subject to

11.3(a)-(b) and what obligations Sponsoring Members and Sponsored Participants must satisfy when establishing a Sponsored Access relationship.

Market Access Rule

The Exchange seeks to codify that the agreement currently required under Exchange Rule 11.3(b)(2), by and between the Sponsoring Member and Sponsored Participant, must include a provision that any Sponsored Access relationship must follow the requirements of the MAR. While Sponsoring Members have existing obligations under the MAR because they are providing market access to their Sponsored Participants, the Exchange believes the proposed amendment will help to reinforce such obligations. Sponsored Participants will now be required to contractually agree with their Sponsoring Members to follow the requirements of the MAR.

The Exchange believes that the proposed addition of Exchange Rule 11.3(b)(2)(J) will reinforce to Sponsoring Members that Sponsored Access relationships must comply with the SEC's MAR, as well as Exchange rules regarding the provision of market access. As noted above, such relationships generally include where a broker-dealer allows its customer to use the broker-dealer's MPID or other mechanism or mnemonic to enter orders into the Exchange's System that bypass the Sponsoring Member's order handling system and are electronically routed directly to the Exchange by the Sponsored Participant, including through a service bureau or other third-party technology provider.

The Exchange notes further that the proposed addition of Exchange Rule 11.3(b)(2)(J) is non-substantive in nature for Sponsoring Members because as broker-dealers providing market access, Sponsoring Members are already required to comply with the MAR, as well as with

applicable requirements as an Exchange Market Maker in the products for which the Sponsored Participant Market Maker is registered and routes orders/quotes via the Sponsored Access arrangement).

existing Exchange rules regarding market access. Indeed, per the Exchange's current Sponsored Participant rules the Sponsoring Member is already responsible for all its Sponsored Participant's activity on the Exchange[13] and is required to comply with the Exchange's Certificate of Incorporation, Exchange LLC Agreement, Rules and procedures.[14] This includes compliance with Exchange Rule 2.2, which requires, among other things, compliance with the Act and the regulations thereunder, including the MAR.

The proposed addition of Exchange Rule 11.3(b)(2)(J) is potentially substantive in nature to Sponsored Participants in that the proposed amendment adds a requirement to the agreement by and between the Sponsoring Member and Sponsored Participant, requiring the Sponsored Participant to contractually agree to follow the requirements of the MAR. Importantly, as part of their obligation to comply with Exchange Rules and procedures, existing Sponsoring Members will be expected to amend any existing contractual arrangements with their Sponsored Participants to include the new contractual provision proposed by the Exchange.[15] The Exchange notes that the contractual requirement under proposed Exchange Rule 11.3(b)(2)(J) is also included, with substantively identical language, in the rulebooks of Cboe BZX[16] and Nasdaq.[17]

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13 See Exchange Rule 11.3(b)(2)(B).

14 See Exchange Rule 11.3(b)(2)(C).

15 The Exchange notes that in connection with this proposed change, the Exchange will also amend its Sponsored Access Application form. The amendments to this form will include the deletion of the requirement that a Sponsoring Member provide the Exchange with a copy of its policies and procedures addressing the MAR and a detailed description of how it will comply with the MAR, but will further clarify that Sponsoring Members and Sponsored Participants must satisfy their regulatory obligations arising from the Sponsored Access relationship, including compliance with the MAR and, where a Sponsored Participant is an Exchange registered Market Maker, compliance with the Market Maker obligations required by applicable Exchange rules.

16 See Cboe BZX Rule 11.3(b)(2)(J), available at: https://cdn.cboe.com/resources/regulation/rule_book/BZX_Exchange_Rulebook.pdf.

17 See Nasdaq General Equity and Options Rule, General 2: General Provisions, Section 22(b)(ii)(A), available at: https://listingcenter.nasdaq.com/rulebook/Nasdaq/rules.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[18] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[19] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[20] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Defining Sponsored Access

As noted above, the Exchange believes that defining Sponsored Access will provide Sponsoring Members with greater clarity as to which types of market access relationships[21] are subject to Exchange Rules 11.3(a)-(b) and what obligations Sponsoring Members and Sponsored Participants must satisfy when establishing a Sponsored Access relationship. As such, the proposed rule change is designed to prevent fraudulent and manipulative acts and practices and serves to promote just and equitable principles of trade.

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18 15 U.S.C. 78f(b).

19 15 U.S.C. 78f(b)(5).

20 Id.

21 Supra note 12.

The proposed change will also help to reduce confusion by codifying a definition for such activity on the Exchange that is consistent with other industry practices currently in place elsewhere. The Exchange further notes that the proposed Sponsored Access definition is reasonable and does not affect investor protection because the proposed change does not present any novel or unique issues, as the proposed Sponsored Access definition has previously been adopted by both Cboe BZX and Nasdaq.[22]

Market Access Rule

As noted above, the proposed addition of Exchange Rule 11.3(b)(2)(J) will reinforce to Sponsoring Members that Sponsored Access relationships must comply with the SEC's MAR, as well as Exchange Rules regarding the provision of market access. Also, by adding proposed Exchange Rule 11.3(b)(2)(J), Sponsored Participants are now required to contractually agree that their Sponsored Access to the Exchange must follow the requirements of the MAR.

In this regard, the proposed amendment will help to ensure that by and between the Sponsoring Member and Sponsored Participant all orders entered onto the Exchange pursuant to a Sponsored Access relationship will follow the requirements of the MAR. As discussed, the Exchange believes the proposed addition of Exchange Rule 11.3(b)(2)(J) is non-substantive in nature for Sponsoring Members because as broker-dealers providing market access, Sponsoring Members are already required to comply with the MAR, as well as with existing Exchange Rules regarding market access. The proposed addition of Exchange Rule 11.3(b)(2)(J) is potentially substantive in nature to Sponsored Participants in that the proposed amendment adds a new requirement to the relationship by and between the Sponsoring Member and Sponsored Participant, requiring the Sponsored Participant to contractually agree to follow the requirements

[22] Supra notes 10-11.

of the MAR.

The Exchange further notes that this aspect of the proposed rule change is reasonable and does not affect investor protection because the proposed change does not present any novel or unique issues, as the proposed contractual requirement also exists in the rulebooks of Cboe BZX and Nasdaq.[23]

Accordingly, the proposed rule change will help to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and national market system, and, in general to protect investors and the public interest.

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

For the reasons noted below, 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 proposed Sponsored Access definition does not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed definition merely seeks to make clear to Sponsoring Members that Sponsored Access is a relationship subject to Exchange Rule 11.3(a)-(b). Moreover, Sponsored Access is a voluntary arrangement that a Sponsoring Member voluntarily elects to enter with its Sponsoring Participant. A Member is not required to become a Sponsoring Member, and in fact, may decline to enter such a relationship with its customers.

Additionally, the Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Notably, other exchanges have in place similar rules and documentation

[23] Supra notes 16-17.

requirements applicable to sponsored participants and their sponsoring members.[24] Moreover, as described above, the proposed Sponsored Access definition is identical to that adopted by Cboe BZX and substantively identical to that adopted by Nasdaq, and the proposed requirement for Sponsored Participants to contractually agree that their Sponsored Access to the Exchange must follow the requirements of the MAR also exists in the rulebooks of Cboe BZX and Nasdaq.

The proposed rule change to explicitly cite the MAR in Exchange Rule 11.3(b)(2)(J) does not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As noted above, this change is non-substantive as Sponsoring Members are currently responsible for complying with the MAR with respect to their provision of Sponsored Access to Sponsored Participants. While the proposed addition of Exchange Rule 11.3(b)(2)(J) is potentially substantive in nature to Sponsored Participants because it requires a Sponsored Participant to contractually agree with its Sponsoring Member to follow the requirements of the MAR, the Exchange reiterates that the proposed contractual requirement also exists in the rulebooks of Cboe BZX and Nasdaq, and as such, should not raise any new or novel issues for consideration by Sponsored Participants.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[25] and Rule 19b-4(f)(6)[26] thereunder. The Exchange designates that the

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24 Supra notes 10-11 and 16-17.

25 15 U.S.C. 78s(b)(3)(A).

26 17 CFR 240.19b-4(f)(6).

proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given 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.

As noted above, the proposed Sponsored Access definition is intended only to provide additional clarity as to the type of market access subject to Exchange Rule 11.3(a)-(b). Moreover, as noted above, the proposed definition does not present any unique or novel issues, as it is identical in nature to the definition of Sponsored Access in the rulebooks of Cboe BZX and Nasdaq. In addition, the proposed MAR change is non-substantive in nature, as Sponsoring Members are already required to comply with the MAR. While the proposed addition of Exchange Rule 11.3(b)(2)(J) is potentially substantive in nature to Sponsored Participants because they must now contractually agree with the Sponsoring Member to follow the requirements of the MAR, as noted above, such requirement also exists in the rulebooks of Cboe BZX and Nasdaq, and, therefore, should not raise any new or novel issues for Sponsored Participants. Accordingly, the Exchange believes proposed Exchange Rule 11.3(b)(2)(J) will help to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and national market system, and, in general to protect investors and the public interest.

Furthermore, Rule 19b-4(f)(6)(iii)[27] requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-MX2-2025-02 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.

[27] 17 CFR 240.19b-4(f)(6)(iii).

All submissions should refer to file number SR-MX2-2025-02. 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-MX2-2025-02 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[28]

Vanessa A. Countryman,

Secretary.

[28] 17 CFR 200.30-3(a)(12).