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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67379; File No. SR-EDGX-2012-26)

July 10, 2012

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGX Exchange, Inc. Fee Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 29, 2012, EDGX Exchange, Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its fees and rebates applicable to Members³ of the Exchange pursuant to EDGX Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGX Members. The text of the proposed rule change is available on the Exchange's Internet website at <http://www.directedge.com>, at the Exchange's principal office, and at the Public Reference Room of the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ A Member is any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization 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 Exchange proposes to add Flag PR to its fee schedule. Flag PR will be yielded when a Member removes liquidity from the EDGX book using the ROUQ⁴ routing strategy. The Exchange proposes to assess a charge of \$0.0027 per share. In addition, a technical amendment is proposed be made to Footnote 13 to include it as an additional removal flag in clause (ii) of that footnote.

In order to provide additional transparency to Members on the Exchange's fee schedule by distinguishing between orders that are routed using the ROUQ strategy and orders that are routed using the ROUC⁵ routing strategy, the Exchange proposes to add Flag RQ to the Exchange's fee schedule. Flag RQ will be yielded when a Member routes an order using the ROUQ routing strategy. The Exchange proposes to assess a charge of \$0.0027 per share instead of the current charge of \$0.0020 per share. In addition, the Exchange proposes to make conforming changes to Flag Q to delete the reference to the ROUQ routing strategy.

⁴ See Exchange Rule 11.9(b)(3)(c)(iv).

⁵ See Exchange Rule 11.9(b)(3)(a).

The Exchange proposes to amend Footnote 1 of the fee schedule to state that Members can qualify for the Market Depth tier and receive a rebate of \$0.0033 per share for displayed liquidity added on EDGX if they post greater than or equal to 0.50% of the Total Consolidated Volume in Average Daily Volume on EDGX in total, where at least 2 million shares are Non-Displayed Orders that yield Flag HA.

The Exchange also proposes to amend Flag K to only apply to Members' orders routed to NASDAQ OMX PSX ("PSX") using the ROUC or ROUE routing strategy as defined in Rule 11.9(b)(3). The Exchange proposes to reduce the rate from \$0.0025 per share to \$0.0005 per share, which represents a pass-through of the Exchange's rate for routing orders to PSX, in response to the proposed pricing changes in PSX's pending filing with the Commission.⁶ Accordingly, where Members' orders are routed to the BATS BZX Exchange ("BATS BZX") using the ROBA routing strategy (EDGX + BATS), the Exchange proposes to apply Flag X, which is yielded when Members route orders through EDGX and the Exchange assesses a charge of \$0.0029 per share.

Similarly, the Exchange also proposes to amend the rate for Flag RS, which is yielded when Members route orders to PSX that add liquidity. The Exchange proposes to amend the pricing for Flag RS from a rebate of \$0.0024 per share to a charge of \$0.0005 per share (in response to PSX's pending filing), which represents a pass-through of the Exchange's rate for routing orders to PSX.

The Exchange proposes to implement these amendments to its fee schedule on July 1, 2012.

⁶ See PSX's Equity Trader Alert #2012-28 at <http://www.nasdaqtrader.com/TraderNews.aspx?id=ETA2012-28> (discussing PSX's pending fee changes effective July 2, 2012).

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,⁷ in general, and furthers the objectives of Section 6(b)(4),⁸ in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities.

Exchange Rule 11.9(b)(3) defines the “System routing table” as the proprietary process for determining the specific trading venues to which the System⁹ routes orders and the order in which the System routes them. Specifically, the Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. ROUQ is one of the routing strategies that checks the System for available shares before sending the order to other destinations on the System routing table, and if shares remain unexecuted after routing, then the shares are posted on the EDGX book unless the Member instructs otherwise. The Exchange proposes to reduce the number of destinations in the System routing table for the ROUQ routing strategy, and the Exchange proposes to make conforming changes to the fee schedule to reflect this change.

The Exchange believes that the proposed rate of \$0.0027 per share for Flag PR for orders that remove liquidity from the EDGX book using the ROUQ routing strategy is an equitable allocation of reasonable dues, fees, and other charges in comparison to the standard removal rate of \$0.0029 per share because the Exchange is able to pass back the savings it receives from routing to other destinations on the Systems routing table to the Exchange’s Members. The more

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(4).

⁹ See Exchange Rule 1.5(cc).

destinations that an order is routed to can lead to a potentially lower average rate for Direct Edge ECN LLC d/b/a DE Route (“DE Route”), the Exchange’s affiliated routing broker/dealer, as there is more of a likelihood of an execution at a “low” cost destination with higher rebates/lower fees. Conversely, the less destinations that an order is routed to can lead to a potentially higher average rate for DE Route as there is a greater chance that it is executed at a higher cost destination with lower rebates/higher fees. This rate is also consistent with the processing of similar routing strategies by BATS where BATS takes into account the rates that it is charged or rebated when routing to other destinations.¹⁰ In addition, the reduced fee of \$0.0027 per share is designed to incentivize Member to route through EDGX first before going to other destinations on the System routing table, and thereby potentially increases volume on EDGX to the extent the order executes on EDGX. The Exchange also believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

Currently, the Exchange assesses a rate of \$0.0020 per share for Flag Q for routing strategies ROUQ or ROUC. As discussed above, the Exchange modified its System routing table so that routing strategy ROUQ will route to a lower number of destinations than routing strategy ROUC. Therefore, the Exchange proposes adding Flag RQ to reflect orders routed using ROUQ and amending Flag Q to apply only for orders routed using the ROUC routing strategy. The Exchange believes increasing the rate charged for routing strategy ROUQ from

¹⁰ See Securities Exchange Act Release No. 66335 (February 6, 2012), 77 FR 7225 (February 10, 2012) (SR-EDGA-2012-03) (citing to the proposition that Members of the EDGA Exchange, Inc. (“EDGA”) are able to share in cost savings realized by EDGA when routing orders to other destinations). The concept is also seen generally in the BATS BZX fee schedule, describing Discounted Destination Specific Routing (“One Under”) to NYSE, NYSE ARCA and NASDAQ. See Securities Exchange Act Release No. 62858 (September 7, 2010), 75 FR 55838 (September 14, 2010) (SR-BATS-2010-023) (modifying the BATS fee schedule in order to amend the fees for its BATS + NYSE Arca destination specific routing option to continue to offer a “one under” pricing model).

\$0.0020 per share to \$0.0027 (Flag RQ) per share represents an equitable allocation of reasonable dues, fees, and other charges. The more destinations that an order is routed to can lead to a potentially lower average rate for DE Route as there is more of a likelihood of an execution at a “low” cost destination with higher rebates/lower fees. Conversely, the less destinations that an order is routed to can lead to a potentially higher average rate for DE Route as there is a greater chance that it is executed at a higher cost destination with lower rebates/higher fees. Accordingly, the lower number of destinations associated with the ROUQ routing strategy on the revised System routing table affords the Member less likelihood of execution at an away destination because there are fewer available liquidity venues.

Currently, the standard rate for routing on EDGX is \$0.0029 per share and yields Flag X. The Exchange believes that assessing a rate of \$0.0027 for Flag RQ for orders that route to destinations using the routing strategy ROUQ represents an equitable allocation of reasonable dues, fees, and other charges because the Exchange can pass back the savings it receives from routing to other destinations to its Members, as described in more detail above.¹¹ In addition, the Exchange believes that the proposed rate is non-discriminatory in because the rate applies uniformly to all Members.

The Exchange believes that adding the Market Depth Tier to achieve a rebate of \$0.0033 per share represents an equitable allocation of reasonable dues, fees, and other charges since it encourages Members to add displayed liquidity to EDGX book each month as only the displayed liquidity in this tier is awarded the rebate of \$0.0033 per share¹² This tier also recognizes the contribution that non-displayed liquidity provides to the marketplace, including: (i) adding

¹¹ Id.

¹² The Exchange notes that there is no change to the rebate of \$0.0015 per share for adding non-displayed liquidity.

needed depth to the EDGX market; (ii) providing price support/depth of liquidity; and (iii) increasing diversity of liquidity to EDGX. Furthermore, such increased displayed volume increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of higher rebates. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such as the one proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all Members on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that such Market Depth Tier is reasonable based on examples from the Nasdaq OMX's fee schedule, which offers rebates that are tied to achieving tiers by posting non-displayed liquidity.¹³ In addition, the Exchange also believes that the proposed Market Depth tier is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that the rebate of \$0.0033 per share also represent an equitable allocation of reasonable dues, fees, and other charges since higher rebates are directly correlated with more stringent criteria.

¹³ <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2> (where Nasdaq offers rebates to add non-displayed midpoint liquidity, supplemental liquidity, non-displayed liquidity).

Currently, the Mega Tier rebates of \$0.0034/\$0.0032 per share have the most stringent criteria associated with them, and are \$0.0003/\$0.0001 greater than the Ultra Tier rebate (\$0.0031 per share) and \$0.0006/\$0.0004 greater than the Super Tier rebate (\$0.0028 per share).

For example, in order for a Member to qualify for the Mega Tier rebate of \$0.0034, the Member would have to add or route at least 4 million shares of ADV during pre and post-trading hours and add a minimum of 20 million shares of ADV on EDGX in total, including during both market hours and pre and post-trading hours. The criteria for this tier is the most stringent as fewer Members generally trade during pre and post-trading hours because of the limited time parameters associated with these trading sessions. The Exchange believes that this higher rebate awarded to Members would incent liquidity during these trading sessions.

In order to qualify for an equivalent rebate of \$0.0034 per share (Mega Tape B tier), a Member would have to (i) post greater than or equal to .10% of the TCV in ADV more than their January 2012 ADV added to EDGX; and (ii) post greater than or equal to .10% of the TCV in ADV in Tape B securities more than their January 2012 ADV (baseline) added to EDGX. Assuming a TCV for June 2012 of 8.0 billion and a January 2012 ADV of 1 million shares, the Member would have to post greater than or equal to 9 million shares (8 million shares more than their January 2012 baseline of 1 million shares in ADV added to EDGX), and post greater than or equal to 9 million shares in Tape B securities to EDGX).

In order to qualify for the new Market Depth tier, a Member would receive a rebate of \$0.0033 per share for displayed liquidity added on EDGX if they post greater than or equal to 0.50% of the TCV in ADV on EDGX, at least 2 million shares of which are Non-Displayed Orders that yield Flag HA on EDGX in total. Assuming a TCV of 8.0 billion shares for June

2012, this would amount to 40 million shares, at least 2 million shares of which are Non-Displayed Orders. The criteria for the Market Depth Tier, which includes the requirement to post 2 million shares of Non-Displayed Orders, is more stringent than criteria for the Mega Tier of posting 0.75% of TCV, as described below, because Non-Displayed Orders do not have the same ability to attract contra-side orders to the marketplace because they are hidden on the EDGX book, are less commonplace than displayed liquidity, and Members are not eligible for the same rebates that displayed liquidity qualify for.¹⁴ In addition, because of the hierarchy of priority in Rule 11.8(a)(2), for equally priced trading interest, Non-Displayed Orders always have a lower priority than displayed orders. As a result, a Member has a priority disadvantage when using such order type and therefore, the criteria to satisfy this tier are more restrictive than those outlined in other tiers, below.

Non-Displayed Orders also represent valuable liquidity to the Exchange as they add needed depth to the EDGX market and provide price support/depth of liquidity and diversity of liquidity to EDGX. In addition, Non-Displayed Orders are included in the Market Depth Tier to incentivize Members to add displayed liquidity. Because of the higher margin that the Exchange earns on Non-Displayed Orders vs. displayed orders (non-displayed orders are charged \$0.0029 per share and earn a \$0.0015 per share rebate, as provided in Flag HA, which is a margin of \$0.0014 per share),¹⁵ the Exchange is able to provide a higher rebate to displayed orders. The Exchange believes the higher rebate will attract increased liquidity to EDGX.

¹⁴ Non-Displayed Orders that add liquidity (Flag HA) are eligible for a \$0.0015 per share rebate instead of the default rebate rate for displayed liquidity of \$0.0023 per share.

¹⁵ By contrast, displayed liquidity only allows the Exchange to earn a margin of as much as \$0.0006 per share assuming no volume tiers are met (charged \$0.0029 per share - \$0.0023 per share rebate).

In addition, increased volume from the use of this tier increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of higher rebates. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting, in part, the qualities of price discovery and market transparency, and improving investor protection. Volume-based rebates such as the one proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all Members on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes.

Another way a Member can qualify for the Mega Tier (with a rebate of \$0.0032 per share) would be to post 0.75% of TCV. Assuming an average TCV for June 2012 (8.0 billion), this would be 60 million shares on EDGX. A second method to qualify for the rebate of \$0.0032 per share would be to post 0.12% of the TCV (9.6 million shares) more than the Member's February 2011 or December 2011 ADV added to EDGX. Assuming the Member's February 2011/December 2011 ADVs are 1 million shares, the Exchange believes that requiring Members to post 10.6 million more shares than a February or December 2011 baseline ADV encourages Members to add increasing amounts of liquidity to EDGX each month.

A Member can also qualify for the Mega Tier rebate of \$0.0032 per share by adding or routing at least 4,000,000 shares of ADV prior to 9:30 AM or after 4:00 PM (includes all flags except 6) and adding a minimum of .20% of the TCV on a daily basis

measured monthly, including during both market hours and/or pre and post-trading hours. Based on an average TCV for June 2012 (8.0 billion shares), a Member would qualify by adding 16 million shares during both market hours and/or pre and post-trading hours and adding or routing at least 4,000,000 shares of ADV during pre and post trading hours. The Exchange notes that fewer Members generally trade during pre and post-trading hours because of the limited time parameters associated with these trading sessions. Therefore, the amount of shares that the Exchange requires to be added or routed to satisfy this tier is less than for the Ultra Tier, for example, which is based on posting liquidity to EDGX during regular trading hours.

In order to qualify for the Ultra Tier, which has less stringent criteria than the Mega Tier and Mega Tape B Tier, and be provided a rebate of \$0.0031 per share, the Member would have to post 0.50% of TCV. Based on average TCV for June 2012 (8.0 billion shares), this would be 40 million shares on EDGX.

Members can qualify for the Mini Tape B Tier and be provided a \$0.0030 rebate per share for liquidity added on EDGX if the Member on a daily basis, measured monthly: (i) posts greater than or equal to .05% of the TCV in ADV more than their January 2012 ADV added to EDGX; and (ii) posts greater than or equal to .05% of the TCV in ADV in Tape B securities more than their January 2012 ADV added to EDGX. Based on a TCV of 8.0 billion shares for June 2012 and a Member's ADV for January 2012 of 1 million shares (baseline), this would amount to (i) posting greater than or equal to 5 million shares to EDGX; and (ii) posting greater than or equal to 5 million shares in Tape B securities to EDGX.

The Super Tier has the least stringent criteria of the tiers mentioned above. In order for a Member to qualify for this rebate, the Member would have to post at least 10 million shares on EDGX and would qualify for a rebate of \$0.0028 per share.

Another way a Member can qualify for a rebate of \$0.0028 per share is to post 0.065% of the TCV in ADV more than their February 2011 ADV added to EDGX. This tier allows Members even greater flexibility with respect to achieving an additional rebate and rewards growth patterns in volume by Members as this rebate's conditions encourage Members to add increasing amounts of liquidity to EDGX each month. Based on an ADV in February 2011 (baseline) of 1,000,000 shares, the Member would have to add 6.2 million shares total to qualify for such rebate.

The rates and rebates associated with routing orders to PSX on the Exchange's fee schedule are pass-through rates. Currently, PSX charges the Exchange \$0.0025 per share for Members' orders that are routed to PSX using the ROUC or ROUE routing strategy and the Exchange charges its Members \$0.0025 per share as a pass-through. Therefore, the Exchange believes that the proposed reduction from \$0.0025 per share to \$0.0005 per share is equitable and reasonable because PSX is reducing the rate it charges the Exchange for routing to PSX to \$0.0005. Currently, PSX provides the Exchange a rebate of \$0.0024 per share for Members' orders that are routed to PSX and add liquidity and the Exchange rebates Members \$0.0024 per share as a pass-through (Flag RS). Therefore, the Exchange believes that the proposed reduction from a rebate of \$0.0024 per share to a charge of \$0.0005 per share is equitable and reasonable because PSX is increasing the rate it charges the Exchange for routing to PSX to \$0.0005 per share. In addition, the Exchange also believes that the proposed pass-through of this rate is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that increasing the charge assessed for Members' orders that are routed to BATS BZX using the ROBA routing strategy (EDGX + BATS) from \$0.0025 per share to \$0.0029 per share (yielding Flag X) is equitable and reasonable because the Exchange is

removing the \$0.0004 per share incentive it previously associated with this routing strategy and replacing it with a straight pass-through of the charge BATS BZX assesses the Exchange for removing liquidity from the BZX Exchange order book.¹⁶ Accordingly, the Exchange will assess a charge of \$0.0029 per share for Members' orders that route to BATS BZX using the ROBA routing strategy as well as other routed orders that yield Flag X. In addition, the Exchange also believes that the proposed pass-through of this rate is non-discriminatory because it applies uniformly to all Members.

The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members. The Exchange believes the fees and credits remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to Members.

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

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

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

¹⁶ See BATS BZX fee schedule at <http://batstrading.com/FeeSchedule/>.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Act¹⁷ and Rule 19b-4(f)(2)¹⁸ thereunder. At any time within 60 days of the filing of such 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.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-EDGX-2012-26 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-EDGX-2012-26. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f)(2).

proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-EDGX-2012-26 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Kevin M. O'Neill
Deputy Secretary

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¹⁹ 17 CFR 200.30-3(a)(12).