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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69724; File No. SR-EDGA-2013-15)

June 10, 2013

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGA 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 3, 2013, EDGA Exchange, Inc. (the "Exchange" or "EDGA") 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 EDGA Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGA Members. The text of the proposed rule change is available on the Exchange's Internet website at www.directedge.com, at the Exchange's principal office, and at the Public Reference Room of the Commission.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ As defined in Exchange Rule 1.5(n).

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 amend its fees and rebates applicable to Members of the Exchange pursuant to EDGA Rule 15.1(a) and (c) to (1) lower the default⁴ rebate at the top of its fee schedule for removing liquidity in securities at or above \$1.00 on EDGA from a rebate of \$0.0004 per share to a rebate of \$0.0003 per share and make conforming changes to removal flags N, W, 6, BB, CR, PR, and XR; (2) make conforming changes to the internalization flags 5, EA and ER; (3) amend the rates in the tiers in Footnote 4 to the Exchange's fee schedule;⁵ (4) increase the fee charged from \$0.0018 per share to \$0.0020 per share for orders that yield Flag RB, which routes to NASDAQ OMX BX ("BX") and adds liquidity and (5) decrease the rebate from \$0.0026 per share to \$0.0020 per share for orders that yield Flag RS, which routes to NASDAQ OMX PSX ("PSX") and adds liquidity.

Lower Default Rebate

The Exchange proposes to lower the default rebate at the top of its fee schedule for removing liquidity in securities at or above \$1.00 on EDGA from a rebate of \$0.0004 per share to a rebate of \$0.0003 per share. This change will also be reflected in the following removal flags: N, W, 6, BB, CR, PR, and XR.

⁴ "Default" refers to the standard rebate provided to Members for orders that remove liquidity from the Exchange absent Members qualifying for additional volume tiered pricing.

⁵ References herein to "Footnotes" refer only to footnotes on the Exchange's fee schedule and not to footnotes within the current filing.

Amendments to Customer Internalization Fees

For customer internalization, which occurs when two orders presented to the Exchange from the same Member (i.e., MPID) are presented separately and not in a paired manner, but nonetheless inadvertently match with one another,⁶ the Exchange currently charges \$0.0001 per share per side of an execution (for adding liquidity and for removing liquidity) for flags EA, ER, and 5. This charge occurs in lieu of the standard or tiered rebate/removal rates. Therefore, Members currently incur a total transaction cost of \$0.0002 per share for both sides of an execution for customer internalization.

In SR-EDGA-2011-14,⁷ the Exchange represented that it “will continue to ensure that the internalization fee is no more favorable than each prevailing maker/taker spread.” In order to ensure that the internalization fee is no more favorable than the proposed maker/taker spread of \$0.0003 for the standard add rate (\$0.0006 charge per share) and standard removal rate (proposed \$0.0003 rebate per share), the Exchange is proposing to charge \$0.00015 per side for customer internalization (flags EA, ER and 5). In each case (both tiered and standard rates), the charge for Members inadvertently matching with themselves is no more favorable than each maker/taker spread. The applicable rate for customer internalization thus allows the Exchange to discourage potential wash sales.

Amendments to Footnote 4

Currently, Footnote 4 to the Exchange’s fee schedule lists three tiers that offer a reduced charge of \$0.0005 per share (from the default charge of \$0.0006 per share) for adding liquidity on EDGA, provided the requirements of one of the tiers are met. The Exchange proposes to

⁶ Members are advised to consult Rule 12.2 respecting fictitious trading.

⁷ See Securities Exchange Release No. 64393 (May 4, 2011), 76 FR 27370, 27372 (May 11, 2011) (SR-EDGA-2011-14).

amend each of the three tiers in Footnote 4 to further reduce the charge for adding liquidity on EDGA, provided the requirements of one of the three tiers are met, from \$0.0005 per share to \$0.0004 per share.

Fee Change for Flag RB

In securities priced at or above \$1.00, the Exchange currently assesses a fee of \$0.0018 per share for Members' orders that yield Flag RB, which routes to BX and adds liquidity. The Exchange proposes to amend its fee schedule to increase this fee to \$0.0020 per share for Members' orders that yield Flag RB. The proposed change represents a pass through of the rate that Direct Edge ECN LLC (d/b/a DE Route) ("DE Route"), the Exchange's affiliated routing broker-dealer, is charged for routing orders to BX that add liquidity and do not qualify for a volume tiered discount. When DE Route routes to BX and adds liquidity, it is charged a default fee of \$0.0020 per share.⁸ DE Route will pass through this rate on BX to the Exchange and the Exchange, in turn, will pass through this rate to its Members. The Exchange notes that the proposed change is in response to BX's May 2013 fee filing with the Securities and Exchange Commission (the "Commission"), wherein BX increased the rate it charges its customers, such as DE Route, from a charge of \$0.0018 per share to a charge of \$0.0020 per share for orders that are routed to BX and add liquidity.⁹

⁸ The Exchange notes that to the extent DE Route does or does not achieve any volume tiered rebate on BX, its rate for Flag RB will not change. See BX Fee Schedule, http://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing (charging a default fee of \$0.0020 per share for adding displayed liquidity to BX).

⁹ See Securities Exchange Act Release No. 69522 (May 6, 2013), 78 FR 27464 (May 10, 2013) (SR-BX-2013-034) (amending the default fee BX charges for adding liquidity to the BX order book from \$0.0018 per share to \$0.0020 per share).

Rebate Change for Flag RS

In securities priced at \$1.00 or above, the Exchange currently provides a rebate of \$0.0026 per share for Members' orders that yield Flag RS, which routes to PSX and adds liquidity. The Exchange proposes to amend its fee schedule to decrease the rebate it provides Members from \$0.0026 per share to \$0.0020 per share for Flag RS. The proposed change represents a pass through of the rate that DE Route is rebated for routing orders to PSX that add liquidity and do not qualify for a volume tiered discount.¹⁰ When DE Route routes to PSX and adds liquidity, it is provided a default rebate of \$0.0020 per share. DE Route will pass through this rate on PSX to the Exchange and the Exchange, in turn, will pass through this rate to its Members. The Exchange notes that the proposed change is in response to PSX's May 2013 fee filing with the Commission, wherein PSX decreased the rebate it provides its customers, such as DE Route, from a rebate of \$0.0026 per share to a rebate of \$0.0020 per share for orders that are routed to PSX and add liquidity.¹¹

Implementation Date

The Exchange proposes to implement these amendments to its fee schedule on June 3, 2013.

¹⁰ The Exchange notes that to the extent DE Route does or does not achieve any volume tiered rebate on PSX, its rate for Flag RS will not change. See PSX Fee Schedule, http://www.nasdaqtrader.com/Trader.aspx?id=PSX_pricing (providing a default rebate of \$0.0020 per share for adding displayed liquidity to PSX).

¹¹ See Securities Exchange Act Release No. 69588 (May 15, 2013), 78 FR 29801 (May 21, 2013) (SR-Phlx-2013-51) (amending the default rebate PSX provides for adding displayed liquidity to the PSX order book from \$0.0026 per share to \$0.0020 per share).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,¹² in general, and furthers the objectives of Section 6(b)(4),¹³ 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.

Lower Default Rebate

The Exchange believes that its proposal to lower the default rebate for removing liquidity from \$0.0004 per share to \$0.0003 per share is an equitable allocation of reasonable dues, fees and other charges as it will enable the Exchange to retain additional funds to offset increased administrative, regulatory, and other infrastructure costs associated with operating an exchange. The rate is reasonable because it is comparable to BATS BYX Exchange, Inc.'s ("BYX") similar rebate of \$0.0005 per share for removing liquidity.¹⁴ The Exchange believes that the proposed rebate is non-discriminatory in that it applies uniformly to all Members.

Amendments to Customer Internalization Fees

The Exchange believes that the increased fee for customer internalization from \$0.0002 to \$0.0003 per share per side of an execution for flags EA, ER (regular trading session) and 5 (pre and post market) represents an equitable allocation of reasonable dues, fees, and other

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(4).

¹⁴ See BYX, BATS BYX Exchange Fee Schedule, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf (providing a rebate of \$0.0005 per share for removing liquidity for executions by members that add a daily average volume of at least 50,000 shares of liquidity on BYX). The Exchange notes that its default rate for removing liquidity applies only when Members meet the conditions of Footnote 1 to the Exchange's fee schedule, which requires Members to add and/or route a minimum ADV of 50,000 shares on EDGA.

charges as it is designed to discourage Members from inadvertently matching with one another, thereby discouraging potential wash sales. The increased fee also allows the Exchange to offset its administrative, clearing, and other operating costs incurred in executing such trades. Finally, the fee is equitable in that it is consistent¹⁵ with the EDGA fee structure that has a proposed maker/taker spread of \$0.0003 per share (where the standard charge to add liquidity on EDGA is \$0.0006 per share and the standard fee to remove liquidity is proposed to be \$0.0003 per share).

This increased fee per side of an execution on Flags EA, ER, and 5 (\$0.00015 per side per share instead of \$0.00010 per side per share), yields a total cost of \$0.0003, thus making the internalization fee consistent with the current maker/taker spread.¹⁶ The Exchange believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

Amendments to Footnote 4

The Exchange believes that its proposal to further reduce the charge for adding liquidity on EDGA (from \$0.0005 per share to \$0.0004 per share) provided by each of the three tiers in Footnote 4 of the Exchange's fee schedule represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because the reduced rates are designed to move in lock-step with the default maker/taker spread.

Currently, Members receive a default maker/taker spread of \$0.0002 (\$0.0006 charge for adding liquidity to EDGA and \$0.0004 rebate for removing liquidity from EDGA). The reduced charges currently provided by Footnote 4 (rates of \$0.0005 per share for each tier) provides Members with a more beneficial maker/taker spread of \$0.0001 per share. By amending the reduced charge provided in Footnote 4 to move in lock-step with the proposed change to the

¹⁵ In each case, the internalization fee is no more favorable to the Member than each prevailing maker/taker spread.

¹⁶ The Exchange will continue to ensure that the internalization fee is no more favorable than each prevailing maker/taker spread.

default rebate for removing liquidity from EDGA (\$0.0006 charge for adding liquidity to EDGA and proposed rebate of \$0.0003 for removing liquidity from EDGA for a spread of \$0.0003), the maker/taker spread provided by such reduced charge would remain at \$0.0001 (proposed reduced charge of \$0.0004 for adding liquidity to EDGA and a proposed rebate of \$0.0003 for removing liquidity from EDGA for a spread of \$0.0001 per share).

These proposed rates are designed to increase volume on the Exchange and increase potential revenue to the Exchange, and allows 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 in turn would allow the Exchange to pass on the savings to Members in the form of lower fees. The increased liquidity benefits all investors by deepening EDGA'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 discounts such as the ones 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.

In addition, the reduced rates are reasonable in that they are comparable to BYX's rates for adding liquidity.¹⁷ Lastly, the Exchange believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

Fee Change for Flag RB

¹⁷ See BYX, BATS BYX Exchange Fee Schedule, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf (charging a range of rates from \$0.00045 to \$0.0007 for adding displayed liquidity).

The Exchange believes that its proposal to increase the pass through a charge for Members' orders that yield Flag RB from \$0.0018 to \$0.0020 per share represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to BX through DE Route. Prior to BX's May 2013 fee filing, BX charged DE Route a fee of \$ 0.0018 per share for orders yielding Flag RB, which DE Route passed through to the Exchange and the Exchange passed through to its Members. In BX's May 2013 fee filing, BX increased the rate it charges its customers, such as DE Route, from a charge of \$0.0018 per share to a charge of \$0.0020 per share for orders that are routed to BX and add liquidity.¹⁸ Therefore, the Exchange believes that the proposed change in Flag RB from a fee of \$0.0018 per share to a fee of \$0.0020 per share is equitable and reasonable because it accounts for the pricing changes on BX. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to BX and add liquidity using DE Route. The Exchange notes that routing through DE Route is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

Rebate Change for Flag RS

The Exchange believes that its proposal to decrease the pass through rebate for Members' orders that yield Flag RS from \$0.0026 to \$0.0020 per share represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it

¹⁸ See Securities Exchange Act Release No. 69522 (May 6, 2013), 78 FR 27464 (May 10, 2013) (SR-BX-2013-034) (amending the default fee BX charges for adding liquidity to the BX order book from \$0.0018 per share to \$0.0020 per share).

routes to PSX through DE Route. Prior to PSX's May 2013 fee filing, PSX provided DE Route a rebate of \$ 0.0026 per share for orders yielding Flag RS, which DE Route passed through to the Exchange and the Exchange passed through to its Members. In PSX's May 2013 fee filing, PSX decreased the rebate it provides its customers, such as DE Route, from a rebate of \$0.0026 per share to a rebate of \$0.0020 per share for orders that are routed to PSX and add liquidity.¹⁹ Therefore, the Exchange believes that the proposed decrease in rebate from \$0.0026 per share to a rebate of \$0.0020 per share for orders that yield Flag RS is equitable and reasonable because it accounts for the pricing changes on PSX. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to PSX and add liquidity using DE Route. The Exchange notes that routing through DE Route is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

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

These proposed rule changes do not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of these changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by any of the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange believes that the proposed changes would not impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

¹⁹ See Securities Exchange Act Release No. 69588 (May 15, 2013) (SR-Phlx-2013-51) (amending the default rebate PSX provides for adding displayed liquidity to the PSX order book from \$0.0026 per share to \$0.0020 per share).

The Exchange believes that its proposal to lower the default rebate for removing liquidity from EDGA from \$0.0004 per share to \$0.0003 per share will also assist in increasing competition in that its proposed rebate is comparable to rebates for adding liquidity offered by BYX's rebate of \$0.0005 per share for removing liquidity.²⁰

The Exchange believes that its internalization rates for securities priced \$1.00 and above will also not burden intermarket or intramarket competition as the proposed rates are no more favorable than Members achieving the maker/taker spreads between the default add and remove rates on EDGA.

The Exchange believes that its proposal to amend the reduced rates provided in the tiers in Footnote 4 of its fee schedule increases competition because the proposed rates are comparable to the rates charged by BYX for orders that add liquidity.²¹ The Exchange believes that its proposal will have no burden on intramarket competition as the rates apply uniformly to all Members.

The Exchange believes that its proposal to pass through a charge of \$0.0020 per share for Members' orders that yield Flag RB would increase intermarket competition because it offers customers an alternative means to route to BX and add liquidity for the same price as entering

²⁰ See BYX, BATS BYX Exchange Fee Schedule, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf (providing a rebate of \$0.0005 per share for removing liquidity for executions by members that add a daily average volume of at least 50,000 shares of liquidity on BYX). The Exchange notes that its default rate for removing liquidity applies only when Members meet the conditions of Footnote 1 to the Exchange's fee schedule, which requires Members to add and/or route a minimum ADV of 50,000 shares on EDGA.

²¹ See BYX, BATS BYX Exchange Fee Schedule, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf (charging \$0.0006 per share for adding displayed liquidity for all executions other than those that set the NBBO for members who have an ADV equal to or greater than 0.25% but less than 0.5% of average total consolidated volume).

orders on BX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

The Exchange believes that its proposal to pass through a rebate of \$0.0020 per share for Members' orders that yield Flag RS would increase intermarket competition because it offers customers an alternative means to route to PSX and add liquidity for the same price as entering orders on PSX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

The Exchange believes that its proposal would increase competition for routing services because the market for order execution is competitive and the Exchange's proposal provides customers with another alternative to route their orders. The Exchange notes that routing through DE Route is voluntary.

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.

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)(A) of the Act²² and Rule 19b-4(f)(2)²³ 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.

²² 15 U.S.C. 78s(b)(3)(A).

²³ 17 CFR 240.19b-4 (f)(2).

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-EDGA-2013-15 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-EDGA-2013-15. 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 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-EDGA-2013-15 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.²⁴

Kevin M. O'Neill
Deputy Secretary

[FR Doc. 2013-14113 Filed 06/13/2013 at 8:45 am; Publication Date: 06/14/2013]

²⁴ 17 CFR 200.30-3(a)(12).