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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69911; File No. SR-EDGX-2013-25)

July 2, 2013

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 July 1, 2013, 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 Members[3] pursuant to EDGX Rule 15.1(a) and (c) ("Fee Schedule") to: (1) increase the fee to remove liquidity using Flag PR (removes liquidity from EDGX using ROUQ routing strategy) from $0.0027 to $0.0029 per share; (2) increase the fee when using Flag RQ (routing using ROUQ routing strategy) from $0.0027 to $0.0029 per share; (3) amend Footnote 1[4] by: (i) correcting punctuation; (ii) easing the criteria to meet the Market Depth Tier; (iii) decreasing the rebate for the current $0.0032

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

2 17 CFR 240.19b-4.

3 "Member" is defined as "any registered broker or dealer, or any person associated with a 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." EDGX Rule 1.5(n).

4 References herein to "Footnotes" refer only to footnotes on the Exchange's Fee Schedule and not to footnotes within the current filing.

Mega Tier (post 0.12% of TCV); and (iv) adding a new $0.0032 Mega Step Up Tier; (4) amend the criteria for the Retail Order Tier in Footnote 4; and (5) amend Footnote 13 to: (i) add a $0.0032 Investor Tier and (ii) make a non-substantive, corrective change. The text of the proposed rule change is attached as Exhibit 5. 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 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 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 Fee Schedule to: (1) increase the fee to remove liquidity using Flag PR (removes liquidity from EDGX using ROUQ routing strategy) from $0.0027 to $0.0029 per share; (2) increase the fee when using Flag RQ (routing using ROUQ routing strategy) from $0.0027 to $0.0029 per share; (3) amend Footnote 1 by: (i) correcting punctuation; (ii) easing the criteria to meet the Market Depth Tier; (iii) decreasing the rebate for the current $0.0032 Mega Tier (post 0.12% of TCV); and (iv) adding a new $0.0032 Mega Step

Up Tier; (4) amend the criteria for the Retail Order Tier in Footnote 4; and (5) amend Footnote 13 to: (i) add a $0.0032 Investor Tier and (ii) make a non-substantive, corrective change.

Amendment to Flag PR

The Exchange proposes to increase the fee to remove liquidity using Flag PR (removes liquidity from EDGX using the ROUQ[5] routing strategy) from $0.0027 to $0.0029 per share.

Amendment to Flag RQ

The Exchange proposes to increase the fee to route orders using Flag RQ (routed using ROUQ routing strategy) from $0.0027 to $0.0029 per share.

Ministerial Changes to Footnote 1

The Exchange proposes to make non-material changes to the first paragraph of Footnote 1 regarding the Mega Tier that provides Members with a rebate of $0.0035 per share (the "$0.0035 Mega Tier"). These changes simply align the formatting of Footnote 1 with similar paragraphs within the Fee Schedule. The Exchange does not propose to alter the requirements Members need to satisfy to achieve the increased rebate offered by the $0.0035 Mega Tier.

The Exchange also proposes to relocate the definition of Total Consolidate Volume ("TCV")[6] within Footnote 1 from the existing $0.0032 Mega Tier to the Mega Tier, where TCV is first mentioned.

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5 ROUQ is a routing strategy 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. See Exchange Rule 11.9(b)(2)(c)(iv). The System is defined as the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away. See Exchange Rule 1.5(cc).

6 TCV is defined as volume reported by all exchanges and trade reporting facilities to the consolidated transaction reporting plans for Tapes A, B and C securities for the month prior to the month in which the fees are calculated.

Amendments to the Market Depth Tier

Footnote 1 of the Fee Schedule currently provides that Members may 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 TCV in average daily trading volume ("ADV") on EDGX in total, where at least 2,000,000 shares are Non-Displayed Orders that yield Flag HA. The Exchange proposes to amend Footnote 1 of its Fee Schedule to decrease the ADV requirement of the Market Depth Tier from 2,000,000 shares of ADV to 1,800,000 shares of ADV. The remainder of the footnote as it pertains to the Market Depth Tier rebate would remain unchanged.

Amendments to the Current $0.0032 Mega Tier (Post 0.12% of TCV)

The Exchange proposes to decrease the rebate for the current Mega Tier rebate of $0.0032 per share to $0.0030 per share in Footnote 1 of the Fee Schedule. The Exchange also proposes to rename the tier the Mega Step Up Tier. Currently, Footnote 1 of the Exchange's fee schedule provides that Members may qualify for a Mega Tier rebate of $0.0032 per share by posting 0.12% of the TCV in ADV more than their February 2011 ADV added to EDGX. The Exchange proposes to reduce the rebate offered by this tier from $0.0032 to $0.0030 per share (the "$0.0030 Mega Step Up Tier"). The criteria required to meet the tier would remain unchanged.

Addition of the New $0.0032 Mega Step Up Tier

The Exchange proposes to add a new Mega Tier (the "$0.0032 Mega Step Up Tier") to provide for a rebate of $0.0032 per share if the Member: (i) posts 0.12% of the TCV in ADV more than their February 2011 ADV added to EDGX and (ii) adds a minimum of 0.35% of the TCV on a daily basis, measured monthly.

Amendments to Retail Order Tier

Currently, Members are eligible for a rebate of $0.0034 per share if they add an ADV of Retail Orders (Flag ZA) that is 0.10% or more of the TCV on a daily basis, measured monthly. Flag ZA is yielded for those Members that use Retail Orders[7] that add liquidity to EDGX. The Exchange now proposes to amend this criteria to also require that Members have an "added liquidity" to "added plus removed liquidity" ratio of at least 85%.

Addition of $0.0032 Investor Tier

The Exchange proposes to add an additional Investor Tier to Footnote 13 of the Fee Schedule. Members would qualify for the Investor Tier and be provided a rebate of $0.0032 per share ("$0.0032 Investor Tier") for all liquidity posted on EDGX if they: (i) add a minimum of 0.15% of the TCV on a daily basis, measured monthly; and (ii) have an "added liquidity" to "added plus removed liquidity" ratio of at least 85%.

Correction to Footnote 13

Members can currently qualify for an Investor Tier and be provided a rebate of $0.0030 per share ("$0.0030 Investor Tier") if they: (i) on a daily basis, measured monthly, posts an ADV of at least 8,000,000 shares on EDGX where added flags are defined as B, HA, V, Y, MM, RP, ZA, 3, or 4; (ii) have an "added liquidity" to "removed liquidity" ratio of at least 60% where added flags are defined as B, HA, V, Y, MM, RP, ZA, 3, or 4 and removal flags are defined as BB, MT, N, W, PI, PR, ZR, or 6; and (iii) have a message-to-trade ratio of less than 6:1. The Exchange proposes to correct an inadvertent drafting error in the criteria related to the add to

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7 Footnote 4 on the Exchange's Fee Schedule defines a "Retail Order," in part, as an: (i) an agency order or riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person; (ii) is submitted to EDGX by a Member, provided that no change is made to the terms of the order; and (iii) the order does not originate from a trading algorithm or any other computerized methodology.

remove liquidity ratio under (ii) above. Specifically, the Exchange proposes to amend the add to remove liquidity ratio language to specify that Members must have an added liquidity to added plus removed liquidity ratio. The revised criteria would read as follows:

> …have an "added liquidity" to "added plus removed liquidity" ratio of at least 60% where added flags are defined as B, HA, V, Y, MM, RP, ZA, 3, or 4 and removal flags are defined as BB, MT, N, W, PI, PR, ZR, or 6 (emphasis added)…

The Exchange notes that its proposal conforms to an existing practice and does not modify the rebate that the Exchange has been providing its Members for achieving the tier. The Exchange notes that it will continue to calculate whether a Member satisfied criteria (ii) under Footnote 13 if its "added liquidity" to "added plus removed liquidity" ratio is at least 60%. Other than this correction, the remainder of the footnote as it pertains to the $0.0030 Investor Tier would remain unchanged.

Implementation Date

The Exchange proposes to implement these amendments to its Fee Schedule on July 1, 2013.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,[8] in general, and furthers the objectives of Section 6(b)(4),[9] 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.

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8 15 U.S.C. 78f.

9 15 U.S.C. 78f(b)(4).

Amendment to Flag PR

The Exchange believes that the proposed increased rate of $0.0029 from $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 because the reduced rate, in comparison to the default[10] rate to remove liquidity of $0.0030 per share, is reasonable as it is consistent with similar rates charged by the Exchange's competitors.[11]

Further, the Exchange believes that the increased rate of $0.0029 per share is reasonable because it will enable the Exchange to retain additional funds to offset increased administrative, regulatory, and other infrastructure costs associated with operating an exchange. Lastly, the increased rate is non-discriminatory because it applies uniformly to all Members of the Exchange. The Exchange also believes that the rate is equitable because by utilizing the ROUQ routing strategy, Members will qualify for a $0.0001 discounted removal rate in Flag PR from the default rate to remove liquidity of $0.0030 per share as the revenue generated by executing at away destinations enables the Exchange to offer such discounted removal rate.

Amendment to Flag RQ

The Exchange believes that the proposed increased rate of $0.0029 from $0.0027 per share for Flag RQ for orders that are routed using the ROUQ routing strategy is an equitable allocation of reasonable dues, fees, and other charges because it now equals the Exchange's standard routing rate under Flag X of $0.0029 per share. Further, the Exchange believes that the increased rate of $0.0029 per share is reasonable because it will enable the Exchange to retain

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

11 See Fee to Remove Liquidity for Routable Orders in the Nasdaq OMX PSX Price List available at http://www.nasdaqtrader.com/Trader.aspx?id=PSX_Pricing (last visited June 27, 2013) (charging similar discounted rates to remove liquidity of $0.0025 and $0.0028).

additional funds to offset increased administrative, regulatory, and other infrastructure costs associated with operating an exchange. Lastly, the increased rate is non-discriminatory because it applies uniformly to all Members of the Exchange.

Ministerial Changes to Footnote 1

The Exchange believes that the proposed non-material changes to the first paragraph of Footnote 1 regarding the $0.0035 Mega Tier are reasonable and non-discriminatory because the changes simply align the formatting of Footnote 1 with similar paragraphs within the Fee Schedule. The Exchange does not propose to alter the requirements Members need to satisfy to be eligible for the increased rebate to the $0.0035 Mega Tier in Footnote 1.

The Exchange also believes relocating the definition of TCV within Footnote 1 reasonable and non-discriminatory because it simply seeks to add clarity to the Fee Schedule.

Amendments to the Market Depth Tier

The Exchange believes that lowering the ADV requirements in Flag HA for the Market Depth Tier represents an equitable allocation of reasonable dues, fees, and other charges because slightly lowering the threshold to achieve the tier encourages Members to add displayed liquidity to the EDGX Book[12] each month, as only the displayed liquidity in this tier is awarded the rebate of $0.0033 per share. This tier also recognizes the contribution that non-displayed liquidity provides to the marketplace, including: (i) adding needed depth to the EDGX market; (ii) providing price support/depth of liquidity; and (iii) increasing diversity of liquidity to EDGX. The increased liquidity 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. In addition, the

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12 The EDGX Book is the System's electronic file of orders. See Exchange Rule 1.5(d).

Exchange also believes that the proposed amendment to the Market Depth Tier is non-discriminatory because it applies uniformly to all Members.

Amendments to the Current $0.0032 Mega Tier (Post 0.12% of TCV)

The Exchange believes that the reduction of the rebate offered by the current $0.0032 Mega Tier from $0.0032 per share to $0.0030 per share under the $0.0030 Mega Step Up Tier represents an equitable allocation of reasonable dues, fees, and other charges because it will enable the Exchange to retain additional funds to offset increased administrative, regulatory, and other infrastructure costs associated with operating an exchange. The rebate of $0.0030 per share is reasonable when compared to the Exchanges' competitors.[13] Additionally, the Exchange believes that the reduced rebate of $0.0030 per share justifies a less stringent criterion than the $0.0032 Mega Step Up Tier discussed below. Lastly, the reduced rebate is non-discriminatory because it applies uniformly to all Members of the Exchange.

Addition of the New $0.0032 Mega Step Up Tier

The Exchange believes that the addition of the new $0.0032 Mega Step Up Tier represents an equitable allocation of reasonable dues, fees, and other charges because it incentivizes Members to add liquidity to the EDGX Book. In particular, the $0.0032 Mega Step Up Tier is designed to incentivize members to achieve preferred pricing by adding liquidity on the Exchange.

The Exchange also believes that the $0.0032 Mega Step Up Tier is reasonable and equitably allocated because such increased liquidity benefits all investors by deepening EDGX's

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13 See NYSE Arca Equities, Inc. Schedule of Fees and Charges for Exchange Services available at https://usequities.nyx.com/sites/usequities.nyx.com/files/nyse_arca_marketplace_fees_5_1_13.pdf (last visited June 27, 2013) (Arca offers a rebate of $0.00295 and $0.0029 for its Step-Up Tier 1 and Tier 2 respectively for Tape A and C securities).

liquidity pool, offering additional flexibility for all investors to enjoy cost savings and improving investor protection. Volume-based rebates such as the one proposed herein are widely utilized 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 opportunities for price improvement.

Higher Rebates are Correlated with More Stringent Criteria

Furthermore, the Exchange believes that the criteria for tiered rebates listed above represents an equitable allocation of reasonable dues, fees, and other charges because higher rebates are directly correlated with more stringent criteria.

For example, in order for a Member to qualify for the $0.0035 Mega Tier Rebate, the Member would have to add or route at least 2 million shares of ADV during pre- and post-trading hours and add a minimum of 35 million shares of ADV on EDGX in total, including during both market hours and pre- and post-trading hours in order to obtain the $0.0015 discount routing and removal rates. The criteria for this tier is the most stringent of all other tiers on the Exchange's fee schedule as fewer Members generally trade during pre- and post-trading hours because of the limited time parameters associated with these trading sessions, which generally results in less liquidity. In addition, the Exchange assigns a higher value to this resting liquidity because liquidity received prior to the regular trading session typically remains resident on the EDGX Book throughout the remainder of the entire trading day. Furthermore, liquidity received during pre- and post-trading hours is an important contributor to price discovery and acts as an important indication of price for the market as a whole considering the relative illiquidity of the pre- and post-trading hour sessions. The Exchange believes that offering a higher rebate and reduced fees for removal of liquidity and/or routing incentivizes Members to provide liquidity during these trading sessions.

In order to qualify for the next best tier, the Market Depth Tier, and receive a rebate of \$0.0033 per share for displayed liquidity, such Member must post at least 0.50% of the TCV in ADV on EDGX in total, where at least 2,000,000 million (herein proposed to be amended to 1,800,000) shares are non-displayed orders that add liquidity to EDGX yielding Flag HA. This criteria is more stringent than that of the proposed \$0.0032 Mega Step Up Tier because the Market Depth Tier requires a Member to post at least 0.50% of the TCV in ADV on EDGX whereas the \$0.0032 Mega Step Up Tier only requires a Member to post a minimum of 0.35% of the TCV in ADV on EDGX. Based on a TCV for May 2013 of six (6) billion shares, this would amount to 30,000,000 shares for the Market Depth Tier and 21,000,000 shares for the \$0.0032 Mega Step Up Tier.

In order to qualify for the next tier after the \$0.0032 Mega Step Up Tier, as discussed above, the Ultra Tier, a Member must, on a daily basis, measured monthly, post 0.50% of TCV in ADV to EDGX to receive a rebate of \$0.0031 per share. The criteria for this tier is less stringent than the \$0.0032 Mega Step Up Tier because a Member aspiring to meet the \$0.0032 Mega Step Up Tier must satisfy two criteria: (1) post 0.12% of the TCV in ADV more than their February 2011 ADV added to EDGX; <u>and</u> (2) add a minimum of 0.35% of the TCV on a daily basis, measured monthly, including during both market hours and pre and post-trading hours. The Ultra Tier only requires a Member post 0.50% of TCV in ADV to EDGX. Based on a TCV for May 2013 of six (6) billion shares, this would amount to 30,000,000 shares for the Ultra Tier and 21,000,000 shares for the \$0.0032 Mega Step Up Tier. While the Ultra Tier's TCV requirement is higher, Members seeking the achieve the \$0.0032 Mega Step Up Tier would also be required to post 0.12% of the TCV in ADV more than their February 2011 ADV added to EDGX. The Exchange believes this additional requirement establishing a Member's February 2011 added baseline rewards liquidity provision and encourages price discovery and market transparency by incentivizing growth in liquidity over a defined baseline.

The criteria for the \$0.0032 Mega Step Up Tier is also more stringent than the \$0.0030 Mega Step Up Tier discussed above. While both tiers require a Member post 0.12% of the TCV in ADV more than their February 2011 ADV, the \$0.0032 Mega Step Up Tier also requires Members to add a minimum of 0.35% of the TCV on a daily basis, measured monthly, including during both market hours and pre and post-trading hours. This additional requirement is designed to incentivize Members to add liquidity to the EDGX Book in order to achieve preferred pricing by adding liquidity on the Exchange.

To qualify for the next tier after the \$0.0030 Mega Step Up Tier, the Super Tier, and receive a rebate of \$0.0028 per share for liquidity added to EDGX, a Member must, on a daily basis, measured monthly, posts 10,000,000 shares or more of ADV to EDGX. The Exchange believes that establishing a Member's February 2011 added baseline rewards liquidity provision and encourages price discovery and market transparency by incentivizing growth in liquidity over a defined baseline. The Exchange believes the \$0.0030 Mega Step Up Tier will also encourage large market participants, who are not currently large adders, to grow their add volume over an established baseline in order to achieve the tier.

Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

Amendment to Retail Order Tier

The Exchange believes that its proposal to add an additional requirement to the Retail Order Tier in Footnote 4 that a Member must have an "added liquidity" to "added liquidity plus removed liquidity" ratio of at least 85% represents an equitable allocation of reasonable dues, fees, and other charges because it is designed to incentivize and further align the tier's requirements with the trading behaviors of Members that primarily represent retail customers. The Retail Order Tier is designed to encourage greater participation on EDGX by Members that represent retail customers.[14] In particular, the Exchange notes that an "added liquidity" to "added plus removed liquidity" ratio of at least 85% is a characteristic of retail order flow, where retail members add substantially more liquidity than they remove. Members that primarily post liquidity are more valuable Members to the Exchange and the marketplace in terms of liquidity provision. Because retail orders are more likely to reflect long-term investment intentions than the orders of proprietary traders, they promote price discovery and dampen volatility. Accordingly, their presence on the EDGX Book has the potential to benefit all market participants. For this reason, EDGX believes that it is equitable to provide significant financial

[14] See Securities Exchange Act Release No. 69067 (March 7, 2013), 78 FR 16003, 16004 (March 13, 2013) (SR-EDGX-2013-11) (stating that the Retail Order Tier is designed to "encourage Members to send additional Retail Orders that add liquidity to the Exchange"). The Exchange notes that the Commission has expressed concern that a significant percentage of the orders of individual investors are executed in over-the-counter markets, that is, at off exchange markets. Securities Exchange Act Release No. 61358 (January 14, 2010), 75 FR 3594 (January 21, 2010) (Concept Release on Equity Market Structure, "Concept Release"). In the Concept Release, the Commission recognized the strong policy preference under the Act in favor of price transparency and displayed markets. See also Mary L. Schapiro, Strengthening Our Equity Market Structure (Speech at the Economic Club of New York, Sept. 7, 2010) (available on the Commission Web site) (comments of Commission Chairman on what she viewed as a troubling trend of reduced participation in the equity markets by individual investors, and that nearly 30 percent of volume in U.S.-listed equities is executed in venues that do not display their liquidity or make it generally available to the public).

incentives to encourage greater retail participation in the market in general and on EDGX in particular. The Exchange believes that increasing the volume requirement and requiring the addition of an "added liquidity" to "added plus removed liquidity" ratio of at least 85% may result in increased volume in retail orders by firms aspiring to meet the criteria of the tier and, accordingly, would lead to benefits for all market participants.

Addition of $0.0032 Investor Tier

The Exchange believes that the addition of the $0.0032 Investor Tier represents an equitable allocation of reasonable dues, fees, and other charges because it incentivizes Members to add liquidity to the EDGX Book. The increased liquidity 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 financial incentives 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 Exchange also believes that these proposed amendments are nondiscriminatory because they apply uniformly to all Members.

Furthermore, the Exchange believes that its proposal to add a requirement that a Member must have an "added liquidity" to "added liquidity plus removed liquidity" ratio of at least 85% represents an equitable allocation of reasonable dues, fees, and other charges because it is designed to incentivize Members that represent retail customers to send order flow to the Exchange. The $0.0032 Investor Tier is designed to encourage greater participation on EDGX by Members that represent retail customers but may not be able to satisfy the requirements to achieve the Retail Order Tier in Footnote 4 above. In particular, the Exchange notes that an "added liquidity" to "added plus removed liquidity" ratio of at least 85% is a characteristic of retail order flow, where retail members add substantially more liquidity than they remove. Members that primarily post liquidity are more valuable Members to the Exchange and the marketplace in terms of liquidity provision. Because retail orders are more likely to reflect long-term investment intentions than the orders of proprietary traders, they promote price discovery and dampen volatility. Accordingly, their presence on the EDGX Book has the potential to benefit all market participants. For this reason, EDGX believes that it is equitable to provide significant financial incentives to encourage greater retail participation in the market in general and on EDGX in particular. The Exchange believes that increasing the volume requirement and requiring the addition of an "added liquidity" to "added plus removed liquidity" ratio of at least 85% may result in increased volume in retail orders by firms aspiring to meet the criteria of the tier and, accordingly, would lead to benefits for all market participants.

The Exchange also believes that the proposed rebate of $0.0032 per share for the $0.0032 Investor Tier and volume thresholds that require Members to add a minimum of 0.15% of the TCV on a daily basis represents an equitable allocation of reasonable dues, fees, and other charges since higher rebates are directly correlated with more stringent criteria.

For example, the tier most similar to the $0.0032 Investor Tier that offers a higher rebate than the $0.0032 Investor Tier is the $0.0035 Mega Tier. The $0.0035 Mega Tier provides a rebate of $0.0035 per share for all liquidity posted by a Member to EDGX if such Member (i) adds or routes at least 4,000,000 shares of ADV prior to 9:30 AM or after 4:00 PM (includes all flags except 6), (ii) adds a minimum of 35,000,000 shares of ADV on EDGX in total, including during both market hours and pre and post-trading hours, and (iii) has an "added liquidity" to "added plus removed liquidity" ratio of at least 85% where added flags are defined as B, V, Y, 3, 4, HA, MM, RP, and ZA and removal flags are defined as N, W, 6, BB, MT, PI, PR, and ZR. In addition, for meeting the aforementioned criteria, the Member will pay a reduced rate for removing and/or routing liquidity of $0.0015 per share for Flags N, W, 6, 7, BB, PI, RT, and ZR. The Exchange believes that the criteria for the $0.0032 Investor Tier is far less onerous than that of the $0.0035 Mega Tier because the $0.0035 Mega Tier requires trading during pre- and post-trading hours, which is more stringent for Members because of the limited time parameters associated with these trading sessions, which generally results in less liquidity. Therefore, the rebate of $0.0032 offered by the Investor Tier accurately reflects the effort a Member would need to expend to achieve the tier in comparison to the effort required to meet the $0.0035 Mega Tier.

The next best similar tier after the $0.0032 Investor Tier, the $0.0030 Investor Tier, provides a rebate of $0.0030 per share when qualifying Members (i) post an ADV of at least 8,000,000 shares on EDGX, (ii) have an "added liquidity" to "added plus removed liquidity" ratio of at least 60% and (iii) have a message-to-trade ratio of less than 6:1. The Exchange believes that the volume requirement of the $0.0032 Investor Tier to add a minimum of 0.15% of TCV is a more stringent volume requirement than that presented in the $0.0030 Investor Tier. Likewise, the "added liquidity" to "added plus removed liquidity" ratio of 85% in the $0.0032 Investor Tier is more stringent than the 60% requirement in the $0.0030 Investor Tier. Accordingly, the Exchange believes that, because Members aspiring to meet the $0.0032 Investor Tier are required to add more liquidity to EDGX compared to those aspiring to meet the $0.0030 Investor Tier, those Members should be rewarded with a higher rebate.

Correction to Footnote 13

The Exchange believes that correcting an inadvertent drafting error in the criteria of the $0.0030 Investor Tier with regard to the "added liquidity" to "added plus removed liquidity" ratio is reasonable because it will increase the level of transparency on the Exchange's fee schedule and improve the Exchange's ability to effectively convey the criteria necessary to achieve the $0.0030 Investor Tier. The Exchange notes that its proposal conforms to an existing practice and does not modify the rebate that the Exchange has been providing its Members for achieving the tier. The Exchange has historically in practice and will continue to calculate whether a Member satisfied criteria (ii) under Footnote 13 if its "added liquidity" to "added plus removed liquidity" ratio is at least 60%. Other than this correction, the remainder of the footnote as it pertains to the $0.0030 Investor Tier would remain unchanged. Lastly, the Exchange also believes that these proposed amendments are non-discriminatory because they apply 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.

Amendment to Flag PR

The Exchange believes the proposed increased fee from $0.0027 to $0.0029 per share for orders that yield Flag PR would increase intermarket competition between the Exchange and its competitors that offer similar discount in fees to remove liquidity associated with routing strategies.[15] The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the increased rate would apply uniformly to all Members.

Amendment to Flag RQ

The Exchange believes the proposed increased fee from $0.0027 to $0.0029 per share for orders that yield Flag RQ would increase intermarket competition between the Exchange and its competitors that offer similar routing fees.[16] The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the increased rate would apply uniformly to all Members.

Ministerial Changes to Footnote 1

The Exchange believes that the non-material changes to the first paragraph of Footnote 1 regarding the $0.0035 Mega Tier would not impose a burden on competition because it simply seeks to align the formatting of Footnote 1 with similar paragraphs within the Fee Schedule. The Exchange does not propose to alter the requirements Members need to satisfy to be eligible for the $0.0035 Mega Tier rebate in Footnote 1.

15 See Fee to Remove Liquidity for Routable Orders in the Nasdaq OMX PSX Price List available at http://www.nasdaqtrader.com/Trader.aspx?id=PSX_Pricing (last visited June 27, 2013) (charging similar discounted rates to remove liquidity of $0.0025 and $0.0028).

16 See BATS BZX fee schedule, describing Standard Routing Pricing available at http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf (last visited June 27, 2013) (charging $0.0029 per share for shares executed at any other venue utilizing routing strategies "CYCLE", "RECYCLE", "Parallel D", and "Parallel 2D").

The Exchange also believes relocating the definition of TCV within Footnote 1 would not impose a burden on competition because it simply seeks to add clarity to the Fee Schedule.

Amendments to the Market Depth Tier

The Exchange believes that its proposal to decrease the ADV requirement in Flag HA in the Market Depth Tier would increase intermarket competition because the lower ADV requirement would incentive Members that could not previously meet the tier to send higher volume to the Exchange. The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the rate for the Market Depth Tier would continue to apply uniformly to all Members and the ability of some Members to meet the tier would only benefit other Members by contributing to increased price discovery and better market quality at the Exchange.

Amendments to the Current $0.0032 Mega Tier (Post 0.12% of TCV)

The Exchange believes that decreasing the rebate for the current $0.0032 Mega Tier will not impose any burden on intermarket competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rebate decrease, in conjunction with the addition of the new $0.0032 Mega Step Up Tier, would contribute to increased price discovery and better market quality at the Exchange as a result of the liquidity added by those Members that aspire to meet the tier. This would make the Exchange more competitive with other market centers. The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the increased rate would apply uniformly to all Members.

Addition of the New $0.0032 Mega Step Up Tier

The Exchange believes that its proposal to add the $0.0032 Mega Step Up Tier would increase intermarket competition because Members that seek to meet the tier would be required to send higher volume to the Exchange. The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the rate for the $0.0032 Market Step Up Tier would continue to apply uniformly to all Members and the ability of some Members to meet the tier would only benefit other Members by contributing to increased price discovery and better market quality at the Exchange as a result of the liquidity added by those Members that aspire to meet the tier.

Amendment to Retail Order Tier

The Exchange believes that adding criteria to the Retail Order Tier that Members must also have an "added liquidity" to "added plus removed liquidity" ratio of at least 85% would increase intermarket competition because Members that seek to meet the tier would be required to send higher added volume to the Exchange. Regarding the Retail Order Tier, the Exchange believes that its proposal to amend the criteria to achieve the tier will increase competition for Retail Orders because the proposed Retail Order Tier is comparable in price and criteria to NYSE Arca, Inc. ("NYSE Arca") and Nasdaq's retail order tier.[17]

The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the rate for the Retail Order Tier would continue to apply uniformly to all Members and the ability of some Members to meet the tier would only benefit other Members by contributing to increased price discovery and better market quality at the Exchange.

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[17] See NYSE Arca, NYSE Arca Equities Trading Fees – Retail Order Tier, available at http://usequities.nyx.com/markets/nyse-arca-equities/trading-fees (last visited June 27, 2013). See also Nasdaq, Price List – Rebate to Add Displayed Designated Retail Liquidity, available at http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2 (last visited June 27, 2013).

Addition of $0.0032 Investor Tier

The Exchange believes the addition of the $0.0032 Investor Tier to Footnote 13 of the Fee Schedule would increase intermarket competition because Members that seek to meet the tier would be required to send higher volume to the Exchange. The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the rate for the $0.0032 Investor Tier would continue to apply uniformly to all Members and the ability of some Members to meet the tier would only benefit other Members by contributing to increased price discovery and better market quality at the Exchange, especially during pre- and post-market sessions.

Correction to Footnote 13

The Exchange believes that correcting an inadvertent drafting error in the criteria regarding the "added to remove liquidity ratio" would not impose a burden on intermarket competition because it simply clarifies for Members how the ratio under criteria (ii) in Footnote 13 has and will continue to be calculated by the Exchange. The Exchange has historically and will continue to calculate whether a Member satisfied criteria (ii) under Footnote 13 by dividing "added liquidity" by "added plus removed liquidity" and determining whether the ratio is at least 60%. The Exchange does not propose to amend any of the existing criteria under Footnote 13. It simply seeks to correct in its Fee Schedule how the ratio under criteria (ii) has and will continue to be calculated. The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the criteria, as amended, in Footnote 13 would continue to apply uniformly to all Members.

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 Act[18] and Rule 19b-4(f)(2)[19] 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-2013-25 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.

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18 15 U.S.C. 78s(b)(3)(A).

19 17 CFR 240.19b-4 (f)(2).

All submissions should refer to File Number SR-EDGX-2013-25. 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-EDGX-2013-25 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.[20]

Elizabeth M. Murphy
Secretary

[FR Doc. 2013-16378 Filed 07/08/2013 at 8:45 am; Publication Date: 07/09/2013]

20 17 CFR 200.30-3(a)(12).