



8011-01p

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-70384; File No. SR-EDGX-2013-34)

September 12, 2013

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend 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 September 3, 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 Members³ of the Exchange pursuant to EDGX Rule 15.1(a) and (c) (“Fee Schedule”) to: (i) decrease the rebate for orders yielding Flag A; and (ii) increase the rebate for orders yielding Flag C. All of the changes described herein are applicable to EDGX Members. The text of the proposed rule

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.” See Exchange Rule 1.5(n).

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: (i) decrease the rebate for orders yielding Flag A; and (ii) increase the rebate for orders yielding Flag C.

Flag A

In securities priced at or above \$1.00, the Exchange currently provides a rebate of \$0.0020 per share for Members' orders that yield Flag A, which routes to the NASDAQ Stock Market LLC ("Nasdaq") and adds liquidity. The Exchange proposes to amend its Fee Schedule to decrease this rebate to \$0.0015 per share for Members' orders that yield Flag A. 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 rebated for routing orders in Tape C securities to Nasdaq when it does not qualify for a volume tiered rebate. When DE Route routes to Nasdaq, it is rebated a standard rate of \$0.0015 per share for Tape C

securities.⁴ DE Route will pass through this rate on Nasdaq 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 Nasdaq's September 2013 fee change where Nasdaq decreased the rebate it provides its customers, such as DE Route, from a rebate of \$0.0020 per share to a rebate of \$0.0015 per share for orders in Tape C securities that are routed to Nasdaq.⁵

Flag C

In securities priced at or above \$1.00, the Exchange currently provides a rebate of \$0.0004 per share for Members' orders that yield Flag C, which routes to Nasdaq OMX BX, Inc. ("BX"). The Exchange proposes to amend its Fee Schedule to increase this rebate to \$0.0011 per share for Members' orders that yield Flag C. The proposed change represents a pass through of the rate that DE Route is rebated when it achieves a volume tiered rebate on BX by routing orders to BX. When DE Route routes to BX, it is rebated a volume tiered rate of \$0.0011 per share.⁶ 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 September 2013 fee change where BX increased its rebate to \$0.0011 per share for orders that are routed to BX.⁷

⁴ The Exchange notes that to the extent DE Route does or does not achieve any volume tiered discount on Nasdaq, its rate for Flag A will not change. The Exchange further notes that, due to billing system limitations that do not allow for separate rates by tape, it will pass through the lesser rebate of \$0.0015 per share for all Tapes A, B & C securities.

⁵ See Nasdaq, Price List – Trading Connectivity, <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2#rebates> (offering a standard, non-tiered rebate of \$0.0015 per share for Tape C Securities). See also File No. SR-NASDAQ-2013-114.

⁶ The Exchange notes that to the extent DE Route does or does not achieve any volume tiered increased rebate on BX, its rate for Flag C will not change.

⁷ See BX, BX Pricing List – Trading & Connectivity, http://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing (offering a rebate to remove

liquidity of \$0.0011 per share for MPIDs that add an average of 25,000 but less than 1 million shares per day). See also File No. SR-BX-2013-051.

Implementation Date

The Exchange proposes to implement these amendments to its Fee Schedule on September 3, 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.

Flag A

The Exchange believes that its proposal to decrease the pass through rebate for Members' orders that yield Flag A from \$0.0020 to \$0.0015 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 Nasdaq through DE Route. Prior to Nasdaq's September 2013 fee change, Nasdaq provided DE Route a rebate of \$0.0020 per share for orders in all tapes yielding Flag A, which DE Route passed through to the Exchange and the Exchange passed through to its Members. In September 2013, Nasdaq decreased the standard rebate it provides its customers, such as DE Route, from a rebate of \$0.0020 per share to a rebate of \$0.0015 per share for orders that are routed to Nasdaq in Tape C securities.¹⁰ Therefore, the Exchange believes that the proposed

⁸ 15 U.S.C. 78f.

⁹ 15 U.S.C. 78f(b)(4).

¹⁰ See Nasdaq, Price List – Trading Connectivity, <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2#rebates> (offering a standard, non-tiered rebate of \$0.0015 per share for Tape C Securities). See also File No. SR-NASDAQ-2013-114.

change in Flag A from a rebate of \$0.0020 per share to a rebate of \$0.0015 per share is equitable and reasonable because it accounts for the pricing changes on Nasdaq. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to Nasdaq. 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.

Flag C

The Exchange believes that its proposal to increase the pass through rebate for Members' orders that yield Flag C from \$0.0004 to \$0.0011 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. In September 2013, BX increased the rebate it provides its customers, such as DE Route, from a rebate of \$0.0010 per share to a rebate of \$0.0011 per share for orders that are routed to BX and qualify for a volume tiered rebate.¹¹ Therefore, the Exchange believes that the proposed change in Flag C from a rebate of \$0.0004 per share to a rebate of \$0.0011 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. 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.

¹¹ See BX, BX Pricing List – Trading & Connectivity, http://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing (offering a rebate to remove liquidity of \$0.0011 per share for MPIDs that add an average of 25,000 but less than 1 million shares per day). See also File No. SR-BX-2013-051.

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 the Exchange's competitors. Additionally, Members may opt to disfavor EDGX's pricing if they believe that alternatives offer them better value.

Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

Flag A

The Exchange believes that its proposal to pass through a rebate of \$0.0015 per share for Members' orders that yield Flag A would increase intermarket competition because it offers customers an alternative means to route to Nasdaq for the same price as entering orders in Tape C securities on Nasdaq directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

Flag C

The Exchange believes that its proposal to pass through a rebate of \$0.0011 per share for Members' orders that yield Flag C would increase intermarket competition because it offers customers an alternative means to route to BX for the same price as entering orders on BX directly, provided those orders would have qualified for a volume based increased rebate. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would 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 Act¹² and Rule 19b-4(f)(2)¹³ 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-2013-34 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.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4 (f)(2).

All submissions should refer to File Number SR-EDGX-2013-34. 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-2013-34 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.¹⁴

Kevin M. O'Neill
Deputy Secretary

[FR Doc. 2013-22651 Filed 09/17/2013 at 8:45 am; Publication Date: 09/18/2013]

¹⁴ 17 CFR 200.30-3(a)(12).