

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71048; File No. SR-EDGX-2013-44)

December 11, 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 November 29, 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) remove Flag RS, which routes to PSX and adds liquidity; and (ii) increase the rebate to add liquidity under the Market Depth Tier 1 from \$0.0032 per share to \$0.00325 per share and amend the criteria necessary to achieve the tier. 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “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).

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) remove Flag RS, which routes to PSX and adds liquidity; and (ii) increase the rebate to add liquidity under the Market Depth Tier 1 from \$0.0032 per share to \$0.00325 per share and amend the criteria necessary to achieve the tier.

Flag RS

The Exchange proposes to amend its Fee Schedule to remove Flag RS, which routes to PSX and adds liquidity. The Exchange currently rebates orders that yield Flag RS \$0.0020 per share for securities priced at or above \$1.00 and charges no fee for securities priced below \$1.00. These fees represent 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 to PSX when it does not qualify for a volume tiered rate. The Exchange recently began to incur increased excessive messaging fees from PSX.⁴ To mitigate the increased messaging fees, the

⁴ See the Excessive Messaging Policy under the Nasdaq Stock Market LLC fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2> (last visited November 20, 2013).

Exchange intends to delete Flag RS from its Fee Schedule and no longer permit Members to route orders via DE Route to post on the PSX. Members would continue to be able to route orders to PSX and remove liquidity via DE Route.

Amendments to the Market Depth Tier 1

The Exchange proposes to amend its Fee Schedule to increase the rebate to add liquidity under the Market Depth Tier 1 and amend the criteria necessary to achieve the tier. Footnote 1 of the Fee Schedule currently provides that Members may qualify for the Market Depth Tier 1 and receive a rebate of \$0.0032 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 1,800,000 shares are Non-Displayed Orders that yield Flag HA. First, the Exchange proposes to increase the rebate to add liquidity under the Market Depth Tier 1 from \$0.0032 per share to \$0.00325 per share. Second, the Exchange proposes to amend Footnote 1 of its Fee Schedule to increase the ADV requirement of the Market Depth Tier from 1,800,000 shares of ADV to 4,000,000 shares of ADV of Non-Displayed Orders that yield Flag HA. Lastly, the Exchange also proposes to increase the requirement to post greater than or equal to 0.50% of the TCV in ADV on EDGX in total to 0.85% of the TCV on EDGX. The remainder of the footnote as it pertains to the Market Depth Tier 1 would remain unchanged.

Implementation Date

The Exchange proposes to implement these amendments to its Fee Schedule on December 2, 2013.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,⁵ in general, and furthers the objectives of Section 6(b)(4),⁶ 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 RS

The Exchange believes that its proposal to delete Flag RS from its Fee Schedule represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because it will no longer offer routing to the PSX via its System routing table. The Exchange recently began to incur increased excessive messaging fees from PSX.⁷ To mitigate the increased messaging fees, the Exchange intends to delete Flag RS and no longer allow Members to route orders DE Route to post on the PSX. The Exchange notes that it will continue to comply with its obligations under Regulation NMS and will route to PSX to remove liquidity; however, it will not continue to offer Flag RS as a routing option to post liquidity to the PSX. Members seeking to post orders on the PSX may select alternative routing methods or to access the PSX directly. The Exchange believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

Market Depth Tier 1

The Exchange believes that increasing the TCV and ADV requirements for the Market Depth Tier 1 represents an equitable allocation of reasonable dues, fees, and other charges

⁵ 15 U.S.C. 78f.

⁶ 15 U.S.C. 78f(b)(4).

⁷ See the Excessive Messaging Policy under the Nasdaq Stock Market LLC fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2> (last visited November 20, 2013).

because increasing the thresholds to achieve the tier encourages Members to add displayed liquidity to the EDGX Book⁸ each month, as only the displayed liquidity in this tier is awarded the rebate of \$0.00325 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 Exchange also believes that the proposed amendment to the Market Depth Tier is non-discriminatory because it is available to all Members equally.

The Exchange also believes that the increased rebate for the Market Depth Tier 1 represents an equitable allocation of reasonable dues, fees, and other charges because the higher rebate is directly correlated with this tier's amended criteria. The Exchange believes that the increased volume requirements necessary to achieve the Market Depth Tier 1 justifies its increased rebate. For example, for a Member to qualify for the tier most similar to the Market Depth Tier 1, the Market Depth Tier 2 and receive a rebate of \$0.0029 per share, a Member needs to add 10,000,000 shares or more of ADV on a daily basis, measured monthly, and add at least 1,000,000 shares as non-displayed orders that yield Flag HA. For a Member to qualify for the Market Depth Tier 1, a Member must post at least 0.85% of the TCV in ADV on EDGX in total, where at least 4 million shares are non-displayed orders that add liquidity to EDGX yielding Flag HA. Based on a TCV of six (6) billion shares, this would amount to 51,000,000

⁸ The "EDGX Book" is defined as "the System's electronic file of orders." See Exchange Rule 1.5(d).

shares for the Market Depth Tier 1 while the Market Depth Tier 2 would require an ADV of 10,000,000 shares. Members seeking to achieve the Market Depth Tier 1 would also be required to post at least 4 million shares of non-displayed orders that add liquidity to EDGX yielding Flag HA, whereas the Market Depth Tier 2 would require that Members post 1,000,000 shares of non-displayed orders that add liquidity to EDGX yielding Flag HA.

Lastly, the Exchange believes that its proposal to increase the rebate offered by the Market Depth Tier 1 is non-discriminatory because the proposed rate would continue to be available to all Members equally.

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

The Exchange believes its proposal amendments its Fee Schedule would 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 RS

The Exchange believes that its proposal to delete Flag RS from its Fee Schedule would not impact intermarket competition because Members seeking to access the PSX to add liquidity may select alternative routing methods or access the PSX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed repeal of Flag RS would be available to all Members equally.

Market Depth Tier 1

The Exchange believes that its proposal amendments to the Market Depth Tier would increase intermarket competition because the increased volume requirements would incentivize Members 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 be available all Members equally and the ability of Members to meet the tier would benefit other Members by contributing to increased price discovery and better market quality at the Exchange.

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 Act⁹ and Rule 19b-4(f)(2)¹⁰ 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.

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 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-EDGX-2013-44 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-2013-44. 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-2013-44 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.¹¹

Kevin M. O'Neill
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).