

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65542; File No. SR-EDGA-2011-32)

October 12, 2011

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 September 30, 2011, the EDGA Exchange, Inc. (the "Exchange" or the "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 <http://www.directedge.com>.

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

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 Statutory Basis for, the Proposed Rule Change

Purpose

The Exchange proposes to decrease its rebate from \$0.0005 per share to \$0.0004 per share for adding liquidity and increase its charge from \$0.0006 per share to \$0.0007 per share for removing liquidity. In the Exchange's fee schedule, these modifications are reflected in Flags B, V, Y, 3 and 4, where liquidity is added, and Flags N, W and 6, where liquidity is removed. The Exchange proposes to increase its charge for customer internalization in Flag E from \$0.0001 per share, per side, to \$0.00015 per share per side, to move in lockstep with the proposed maker/taker fee spread of \$0.0003.

The Exchange proposes to add a new tier that provides if a Member, on a daily basis, measured monthly, posts more than 1% of the Total Consolidated Volume ("TCV") in average daily volume, then the Member will receive a rebate of \$0.0005 per share, which is reflected in the language in footnote 4. The Exchange proposes to add footnote 4 next to Flags B, V, Y, 3 and 4 to clarify that these flags count towards the tier.

The Exchange proposes to add the RR Flag for orders that are routed to the EDGX Exchange, Inc. ("EDGX") and remove liquidity using routing strategies IOCX and IOCT, as defined in Exchange Rules Exchange Rules 11.9(b)(3)(l) and (m). The Exchange proposes to assess a charge of \$0.0029 per share to account for the pass-through of the proposed EDGX fee for removing liquidity.

The Exchange proposes to decrease the charge assessed for removing liquidity for orders that are routed to the EDGX from \$0.0030 per share to \$0.0029 per share to reflect the reduction in EDGX's fee for removing liquidity. In the Exchange's fee schedule, this modification is reflected in the I Flag.

The Exchange proposes to eliminate the FIX (ECN Translator)⁴ logical port fee effective as of October 1, 2011, as the ECN Translator is no longer being used by its Members and non-members.⁵

The Exchange also proposes to make technical amendments to the membership fee table included in the fee schedule to eliminate the word "proposed" since these fees were effective on September 1, 2011⁶ and add the word "will" to footnote 3.

The Exchange proposes to implement these amendments to its fee schedule on October 1, 2011.

Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,⁷ in general, and furthers the objectives of Section 6(b)(4),⁸ in particular, as

⁴ The ECN Translator allows a Member or non-member who previously connected to Direct Edge's ECN to be re-directed automatically to EDGA Exchange, Inc. It can only be accessed through a FIX port.

⁵ Members were notified on May 3, 2011 that the ECN Translator ports would no longer be available as of August 1, 2011.

⁶ See Securities Exchange Act Release No. 34-65188 (August 24, 2011), 76 FR 53988 (August 30, 2011) (SR-EDGA-2011-27).

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(4).

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.

The Exchange's proposal to decrease its rebate from \$0.0005 per share to \$0.0004 per share for adding liquidity and increase its charge from \$0.0006 to \$0.0007 per share for removing liquidity is designed to allow the Exchange to compete with other market centers. The Exchange believes the proposed maker/taker fee spread of \$0.0002 or \$0.0003, depending on if a tier is met (proposed footnote 4), is reasonable as the proposed maker/taker spread is competitive with other market centers maker/taker spreads (BATS BZX Exchange, 0 - \$0.0004 per share), Nasdaq OMX PSX (\$.0001 - \$.0003 per share), and Nasdaq BX (\$0.0001 - \$0.0013) [sic] per share). In addition, the Exchange proposes to increase its charge for customer internalization in Flag E from \$0.0001 per share, per side, to \$0.00015 per share per side, to move in lockstep with the proposed maker/taker fee spread of \$0.0003. In addition, the increased revenue to the Exchange from the rate increase/ decreased [sic] rebate would allow the Exchange to have additional revenue to offset administrative and infrastructure costs. The Exchange believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

The Exchange's proposal to create a tier to provide an increased rebate of \$0.0005 per share if Members post more than 1% of the TCV in average daily volume is designed to incentivize Members to route to EDGA and thereby, increase volume on EDGA. Such increased volume increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of an increased rebate of \$0.0005 per share. The increased liquidity also benefits all investors by deepening EDGA's liquidity pool, supporting the quality of price

discovery, promoting market transparency and improving investor protection. Volume-based discounts such as the increase in rebate proposed herein have been widely adopted in the cash equities markets and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that the proposed increased rebate is non-discriminatory in that it applies uniformly to all Members.

The Exchange believes that the proposed charge associated with the RR flag (\$0.0029 per share) represents an equitable allocation of reasonable dues, fees, and other charges since it reflects a pass through of the proposed EDGX fee for removing liquidity of \$0.0029 per share. The RR Flag will only apply to orders incorporating routing strategies IOCX or IOCT, which are the Exchange's only two routing strategies that solely sweep EDGA and then route the balance of the order to EDGX. The RR Flag differs from the I Flag because the RR Flag is the result of two routing strategies that target EDGA, and the I Flag is the result of multiple routing strategies that execute at EDGA amongst other destinations. In addition, the Exchange believes the resulting effect of the RR Flag is consistent with similar strategies that solely target one other away exchange such as ROBA, ROBY and ROPA (and also pass on the removal rate of those respective exchange), pursuant to Exchange Rules 11.9(b)(3)(e), 11.9(b)(3)(g) and 11.9(b)(3)(k). EDGA believes that it is reasonable and equitable to pass on these fees to its members. The Exchange believes that the proposed charge is non-discriminatory in that it applies uniformly to all Members.

The Exchange believes that the proposed charge associated with the I flag (\$0.0029 per share) represents an equitable allocation of reasonable dues, fees, and other charges since it

reflects a pass through of the proposed EDGX fee for removing liquidity of \$0.0029 per share. EDGA believes that it is reasonable and equitable to pass on these fees to its members. The Exchange believes that the proposed charge is non-discriminatory in that it applies uniformly to all Members.

The Exchange believes that the proposed elimination of the FIX (ECN Translator) logical port fee represents an equitable allocation of reasonable dues, fees, and other charges as the ECN Translator is no longer used by any Members and therefore, its elimination will not impact any Members. The proposed elimination of the fee also provides more simplicity to the fee schedule.

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

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

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

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

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

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) [sic] 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.

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-2011-32 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-2011-32 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

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 19b-4(f)(2).

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-2011-32 and should be submitted on or before [insert date 21 days after publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Elizabeth M. Murphy
Secretary

¹¹ 17 CFR 200.30-3(a)(12).