

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66971; File No. SR-EDGA-2012-18)

May 11, 2012

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 May 1, 2012 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>, 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 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

Currently, Flag N is yielded when an order removes liquidity from the EDGA book in Tapes B or C securities. In this case, a charge of \$0.0007 per share is assessed. In order to provide additional transparency to Members, the Exchange proposes to amend Flag N so that it only applies to orders that remove liquidity from the EDGA book in Tape C securities. The Exchange will continue to assess a charge of \$0.0007 per share for Members that utilize Flag N. The Exchange then proposes to add Flag BB for orders that remove liquidity from the EDGA book in Tape B securities. The Exchange proposes to assess a charge of \$0.0007 per share for Members that utilize Flag BB. In addition, similar to the footnotes appended to Flag N, the Exchange proposes to append Footnotes 1 and a to Flag BB. Therefore, Members using Flag BB will be subject to the conditions of Footnote 1, which states that all removal rates on EDGA are contingent on the attributed MPID adding (including hidden) and/or routing a minimum average daily share volume, measured monthly, of 50,000 shares on EDGA; and any attributed MPID not meeting the aforementioned minimum will be charged \$0.0030 per share for removing liquidity from EDGA for securities priced \$1.00 and over and 0.20% of dollar value for securities priced less than \$1.00. In addition, Members using Flag BB will be subject to the conditions of Footnote a, under which EDGA will aggregate share volume calculations for wholly owned affiliates on a prospective basis upon the Member's request.

The Exchange proposes to decrease the charge for Flag PX from \$0.0020 per share to \$0.0012 per share for orders that use the midpoint routing strategy RMPT⁴ and are routed out.

The Exchange proposes to append Footnote 17 to Flags PA, PT, and PX to provide that if a Member executes greater than 2 million shares per day, measured monthly, using routing strategy RMPT, then the Member's rate for Flag PA is reduced to \$0.0000 per share and the Member's rate for Flags PT and PX is reduced to \$0.0008 per share.

The Exchange also proposes to make a technical amendment to the title of the EDGA Book Feed. The Exchange proposes to rename "EDGA Book Feed" to "EdgeBook Depth A" and to make conforming changes in the description on the fee schedule.

The Exchange proposes to implement these amendments to its fee schedule on May 1, 2012.

2. Basis

The Exchange believes that the proposed rule changes are 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.

In order to provide additional transparency to Members, the Exchange proposes to amend Flag N to apply to orders that remove liquidity from EDGA book in Tape C securities and to add Flag BB for orders that remove liquidity from the EDGA book in Tape B securities. The Exchange proposes to continue to assess a charge of \$0.0007 per share for Members that utilize

⁴ See Exchange Rule 11.9(b)(3)(t).

⁵ 15 U.S.C. 78f.

⁶ 15 U.S.C. 78f(b)(4).

Flag N and the Exchange proposes to assess a charge of \$0.0007 per share for Members that utilize Flag BB. The Exchange believes that utilizing Flag BB to identify Members that remove liquidity from EDGA book in Tape B securities and utilizing Flag N to identify Members that remove liquidity from EDGA book in Tape C securities promotes market transparency and improves investor protection by adding additional transparency to the EDGA fee schedule. This proposed change more precisely delineates for Members whether they are removing liquidity in Tape B or Tape C securities. The Exchange also believes that the proposal is non-discriminatory because it applies uniformly to all Members.

The Exchange proposes to decrease the charge for Flag PX from \$0.0020 per share to \$0.0012 per share for orders that use the RMPT routing strategy and are routed out. The decreased charge is designed to incentivize Members to utilize the RMPT routing strategy to route through EDGA, thereby increasing the amount of liquidity on EDGA, before routing to other low cost destinations and other venues. The Exchange believes that increased liquidity may increase 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 lower rates. The increased liquidity also 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. In addition, the Exchange believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

Footnote 17 (appended to Flags PT, PX, and PT) provides that if a Member executes greater than 2 million shares per day, measured monthly, using routing strategy RMPT, then the

Member's rate for Flag PA is reduced to \$0.0000 per share and the Member's rate for Flags PT and PX is reduced to \$0.0008 per share. The decreased charge is designed to incentivize Members to utilize the RMPT routing strategy to route through EDGA, thereby increasing the amount of liquidity on EDGA, before routing to other low cost destinations and other venues. The Exchange believes that increased liquidity may increase 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 lower rates. The increased liquidity also 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 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 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 Exchange believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

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) of the Act⁷ and Rule 19b-4(f)(2)⁸ 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

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-EDGA-2012-18 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-2012-18. 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-2012-18 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.⁹

Kevin M. O'Neill
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).